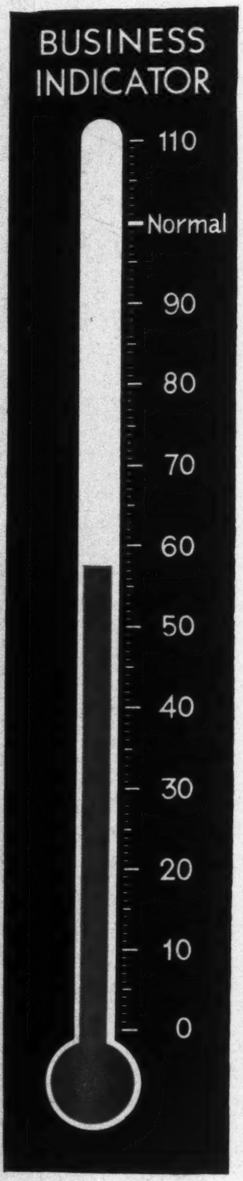
MAY 16 1932

THE BUSINESS WEEK

MAY 18, 1932



Looking backward over the course of the basic business and financial indicators during the past two months, anyone not completely poisoned by the pervasive pessimism that has accompanied this depression must be somewhat impressed by the scattered signs suggesting that most of the destructive force of the decline may have spent itself, and that some sort of uncertain equilibrium is being slowly established at current levels . . . . Although employment and retail trade appear still to be declining, activity in steel, building, and other basic industries seems to have settled around an irreducible minimum . . . . The precipitate downward movement of commodity prices has slackened, and in some instances ceased . . . . The broad averages of security prices have been fairly steady for several weeks . . . . All this has been accompanied by an impressive easing of money rates and of financial stringency and tension in domestic and foreign centers . . . . Most striking of all is the slowly emerging evidence that the catastrophic contraction of credit in our Federal Reserve system has been checked . . . . Open-market operations of Reserve authorities have brought rapid repayment of member bank indebtedness, rising reserves and deposits, and some expansion of loans and investments . . . . These accomplishments are encouraging in spite of the doubts and difficulties that surround them and the slowness of response of business activity and public sentiment to them . . . . The business community is in a stronger position to resist any further shocks to confidence and a sound basis has been established for further remedial measures more directly attacking the unemployment problem than those so far applied.

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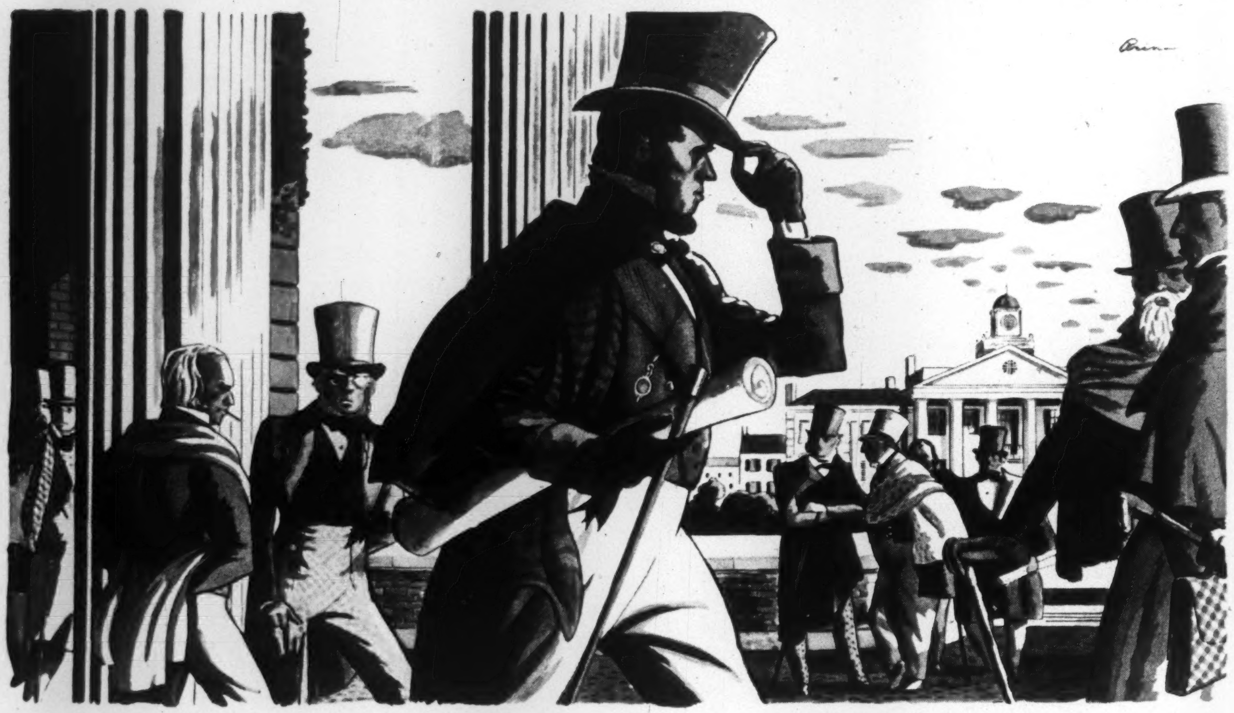
"A RAILROAD 73 MILES LONG?... THE MAN MUST BE MAD!"



In 1823, John Stevens, Hoboken engineer, was granted a charter to build a railroad from Philadelphia to Columbia . . . the stupendous distance of 73 miles. He was openly derided, called a maniac. Popular opinion admitted the practicability of the railroad only for short distances. But 73 miles . . . impossible!

• • •

THANKS TO THE GRIM determination of men like John Stevens we have the railroad of today—a vast network stretching across the country. California and Maine are within easy reach of one another, Florida and Oregon but a few days apart. Each sends its products to the other, every state contributes something to the welfare of all. How fantastic this would have seemed a hundred years ago. The wildest dreams of early pioneers like Stevens have been greatly surpassed by the actualities of today.

Our entire modern civilization is based upon the railroads. Were it not for them we would live in a strangely different world. Fruits and vegetables would have to be raised on nearby orchards and farms. The morning milk would come from "corner-lot" cows. Indispensable drugs could not be had at our pharmacies. Weaving would still be a domestic duty. Factories would shut down. Our entire industrial and social structure would crumble.

Supplementing the railroad, and helping it maintain its high efficiency is the General American Tank Car Corporation. Many railroads maintain only sufficient special cars (such as refrigerator, tank and others) for their normal requirements. At peak seasons, when additional equipment is necessary, they obtain extra cars from General American. These cars are leased first to one road and then to another—thus enabling General American to operate its fleet economically throughout the year. In this way General American assists the railroads—helping them to render the most efficient transportation service ever devised by man. *Address Continental Illinois Bank Building, Chicago, Ill.*

GENERAL AMERICAN TANK CAR CORPORATION

BUILDERS OF ALL TYPES OF RAILROAD FREIGHT CARS

THE BUSINESS WEEK (with which is combined The Magazine of Business) May 18, 1932. No. 141. Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42d Street, New York, N.Y. James H. McGraw, Chairman of the Board; Malcolm Muir, President; James H. McGraw, Jr., Vice-President & Treasurer; C. H. Thompson, Secretary. $7.50 per year, in U.S.A. and possessions; $10.00 or £2.10s. per year in all foreign countries. 20c. per copy. Entered as second-class matter February 15, 1930, at the Post Office at New York, N. Y., under the act of March 3, 1879. Printed in U.S.A.

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This Business Week:

Washington

In any election year, Congressional chaos is quite to be expected. This year, the rumble of rolling logs is louder, amplified by depression, prohibition, and an alarming uncertainty over what the stock market and the voters will do. *(p. 5)*

Relief

Congress once again faces proposals for relief. Directly, through bond issues for public works. Indirectly, through R.F.C. recognition of state and city bonds: federal funds for local doles. R.F.C. may come to mean, "Relief For Citizens." *(p. 6)*

There's a quiet movement, gaining ground, to help the hungry to help themselves by growing their own food. *(p 13)*

Marketing

Business men who think in terms of minimium wages based on arbitrary living costs are blind to their own welfare. Part 4 of The American Consumer Market shows all too plainly that *the cost of living of the American people is the same thing as the gross receipts of American business.* *(p. 20)*

Manufacturers and distributors of air-conditioning equipment are getting ready to sell what they expect to be a big market when building and remodeling pick up. General Electric is entering this coming industry. *(p. 7)*

Merchants are organizing to drive out the "cheapies" which are hurting the trade of permanent and legitimate stores. Desperate landlords make it difficult. *(p. 8)*

Housing

Maybe it's the reversion to individualism, maybe it's just spring; anyway, there's a growing desire among Americans to have a home of their own. All they (and builders) need is something to use for money. *(p. 12)*

Steel

Big Steel is reversing its old policy (and General Motors' new one) in its steps toward decentralization of management. *(p. 12)*

Finance

More than half the Big Board industrial stocks are selling for less than book value. Many companies could clear all indebtedness out of current assets, give away plants and equipment, and have more left for holders of common stock than they can get for their stock in the market. Which means that earnings have supplanted assets as price-makers. *(p. 10)*

Hard-hit casualty and surety companies consider mergers to conserve their resources, effect economies. *(p. 11)* American holders of foreign bonds had best forego protective committees, save their money. *(p. 11)* There's small chance for the new bankruptcy law in this Congress. *(p. 10)*

Wages

Louisville has a wage plan which rewards economy. Since the first of the year, 10% of the city worker's wage has been held out, to be restored if the municipality is in a good financial position at the end of its fiscal year. It's working well. *(p. 14)*

In Philadelphia, upholstery workers have agreed to a scale which adjusts wages to orders: big orders, assuring steady work for a long time, get a lower rate. *(p. 14)*

Oil

There's a real international conference going on down at 26 Broadway. Represented are the 3 nations which dominate the world market: America, Britain—and Russia, recognized commercially if not diplomatically as increasingly important. *(p. 15)*

Standard of California has great productive capacity, West Coast distribution; Standard of New Jersey works in the East, and abroad; Standard of Indiana has great refining capacity and Mid-West distribution. Recent deals, pending negotiations, are seen as events leading up to a merger. *(p. 16)*

Transport

Bus operations are feeling the effects of the times, railroaders might be interested to know. *(p. 24)* More roads are dressing their windows with summer travel bargains. *(p. 24)* Some are plotting to defray the high cost of timetables with advertising, and why not? *(p. 25)*

Foreign

The rising sun is hot on the hammer and sickle. Neither Japan nor the Soviets can afford a conflict, but it may be kindled by increasing friction in Manchuria. *(p. 28)*

Nazi gains in Germany and assassination in France could not stay Frenchmen from throwing out the conservatives. Uncertainty over what the Left parties will do with their victory will continue until the new coalition cabinet is formed. *(p. 30)*

Business all over the world hesitates, awaiting results of pending conferences. France, under a more liberal government, is likely to be more cooperative. *(Survey, p. 32)*

In this issue:

"Cost of Living," Part 4 of The American Consumer Market

All dressed up for an elevator ride

Leg-of-mutton sleeves and bustles, peg-top pants and side whiskers, what a stir they'd make today. And yet they're no more antiquated than many elevators in service in 1932!

• • •

THESE are new days and you are looking for new and up-to-date things. And you are sometimes a little shocked, and rightly so, at some of the antiquated elevators upon which you are often obliged to ride. You could hardly be blamed for avoiding them whenever practical, and patronizing the building which is considerate enough to provide comfortable, modern* elevator service.

Here are some of the aids to convenience and comfort which you will find in a modern* Otis elevator. The self-leveling device which automatically seeks the exact level of your floor, and without jerk or jar. Automatic, noiseless door openers and closers. Completely enclosed cars which hide the hatchway and make the motion almost unnoticeable. Cars, fixtures, lobbies, all finely finished in the modern manner. These and many, many others.

If you feel you are not getting the best of elevator service in your building, speak to the owner about it. Remind him that Otis engineers have so skilfully designed elevator improvements, almost every one is adaptable to the older models and that under the Otis Modernization Plan, elevators can be brought up-to-date at low cost. We will be glad to inspect his elevators and report as to what is needed for modernization. This service is free. All he needs do is call the Otis office in your city.

**A modern elevator is not necessarily new. It can be an old one made modern through the Otis Modernization Plan.*

OTIS ELEVATOR COMPANY

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending May 14, 1932

Congressional Chaos Can Be Explained in One Word—Fear

It's not just an election year—it is the most terrifying election year imaginable

TRADING and sparring over the tax bill are by no means at an end. Action of the Senate Finance Committee in reporting the bill will not stop the process. Squabbling will continue until the final roll call. It will go on in the conference which must compose the differences between the two houses.

It is even within the range of possibility, though hardly probable, that the sales tax will be restored on the Senate floor and accepted by the House. Senate action is so completely dependent upon bargaining that no predictions as to the final outcome are worth anything.

It Really Makes Sense

What appears to be a condition of utter chaos in Congress over the tax, tariff, inflation, economy, and bonus situations really makes sense to those participating.

First and most important of all, the election is just a few months off, the national conventions only a few weeks off.

Not just the Presidential election. But the primaries or conventions and elections of every one of the 435 members of the House, and slightly more than one-third of the senators.

This is made far worse than usual even in presidential years by several factors. The worst is prohibition. Ever since 1928 veteran legislators from rockribbed districts have been dropping, in ones, twos and half dozens, as a result of this politically dangerous issue. Even some former drys who have "reformed" have not been able to save themselves.

The Depression Hazard

Then there is the depression. It incites voters against everyone who is "in," and thereby endangers members of both houses.

Added to the normal hazards of politics—the constant efforts of "outsiders" to break in—the ever present danger of treachery on the part of one's political associates back home—this has produced a state of fear on Capitol Hill which the oldest inhabitants regard as a high water mark.

On top of this almost hysterical condition comes the demand to "balance the budget," the grave concern of the bankers over "inflation," and the demand of powerfully-organized veterans for more bonus loans.

Worried About Bonds

The demand for a balanced budget is regarded as sound by a very large majority of both houses of Congress. President Hoover, Secretary of the Treasury Mellon, and Governor Meyer of the Federal Reserve Board started the public demand for it before Congress met in December.

For months before that, prominent New York Democrats had been quietly preaching the same thing to Democratic leadership in both houses. Owen D. Young, Bernard M. Baruch, John W. Davis, and half a dozen others had been talking about the necessity of keeping the federal expenditures within the federal income. All were frequently in Washington, stressing the idea that as soon as the financial interests were reassured there would be no wild inflation, and that the budget would be balanced, a business revival might be expected.

Budget Defense Bipartisan

Hammering on the same line were such outstanding Republicans as Sen. David A. Reed, of Pennsylvania and Isaac Bacharach, of New Jersey, member of the House Ways and Means Committee. Reed was alarmed at the slump in the price of the 3% government bonds almost to 80. He feared more bond issues would bring chaos, and urged that taxes must be levied.

Naturally new taxes and economy went hand in hand. The opposition to the general idea of balancing the budget has always been—in the House

What to Watch

These figures will be first to reflect the effects of the administration's war on depression. Encouraging changes are marked with a ★ (see page 38 for details)

Indicators	*1932*	*% Change in a Week*	*% Change in a Month*
These should be earliest to show progress:			
Money in Circulation	May 11	—0.3★	+0.1
90 Stocks (Standard Statistics)	May 12	+2.2★	—4.2
40 Bonds (Dow Jones)	May 12	—0.2	+0.04★
Brokers' Loans	May 11	—12.2	—9.7
Member Bank Borrowings from Federal Reserve (Bills Discounted)	May 11	—6.8★	—25.0★
Federal Reserve Open Market Policy (Holdings of Government Securities and Acceptances)	May 11	+7.3★	+37.7★
Bank Suspensions — Number	May 5e	—38.9★	—47.6★
U. S. Gold Stock	May 11	—0.7	—1.5
Member Bank Reserves	May 11	—0.1	+6.6★
These signs should follow promptly:			
Total Loans and Investments of N.Y.C. Reporting Member Banks	May 11	—0.8	+3.9★
Fisher's Wholesale Price Index	May 6e	—0.3	—1.4
The Business Week Index	May 7e	+1.8★	+0.2★
Employment — Manufacturing (89 industries)	March	....	—1.7

e—Week Ending

The Business Week

and Senate—such a small minority as to be incapable of forcing its own solution—inflation. But it has proved most potent in wrecking any particular scheme either for economy or raising the revenue by any particular taxes.

This is the factor which has produced the appearance of chaos. This plus the normally divergent views as to tariff duties.

The rest of it is mere sparring for advantage. Every member and every senator is willing to fight as long as he can to keep the taxes off the backs of his own constituents, and get them firmly saddled somewhere that will not cause him political grief this year.

That is always true. There is nothing unusual about it, except that, in this period of depression, with Washington news influencing the stock market to such an unusual extent, it has been more spectacular than is usually the case. The fireworks are also magnified by the fact that several big set pieces are being set off at the same time, instead of separately, as is usual.

Thus it is not normal to have up for consideration at the same time a tax bill and a tariff measure involving not only protection for special industries but actual embargoes.

Add to this the fact that, due to the depression, every action of the Reconstruction Finance Corporation, and the Federal Reserve Board, and the Interstate Commerce Commission is in the spotlight.

One small factor which has added to the appearance of chaos is the flopping back and forth of the Senate Finance Committee on the tariff proposals. Actually that sort of thing frequently happens, but it has never happened before with all the stage settings which made it so dramatic—with so many people believing that this or that spelled the whole answer to whether the depression could be ended.

Just a Little Slip

Actually it was very simple. There was just a little slip in the log rolling. So Sen. Wesley L. Jones, of Washington, to whom a tariff on lumber and shingles may mean reelection (failure to get it defeated one of his House delegation 2 years ago and nearly defeated 2 others) voted against the tariff on oil.

But the oil and coal tariff advocates quickly rectified their mistake, included lumber and shingles in their program, whereupon the Committee reversed itself!

Nothing chaotic. Just a bit of trading!

But every time a duty is added the protests against including any tariff schedules in the revenue bill become greater.

It is just a long-drawn-out auction sale, always bearing in mind that those advocating a balanced budget are in a very large majority, and eventually, in all human probability, will adjust their differences, report and pass the bill.

Washington Yields to Pressure; Plans Federal Relief Program

Proposals for direct financial aid to states bring both parties into line; may use R.F.C.

UNDER tremendous pressure from the entire country the Administration and the Democratic party have almost simultaneously reversed positions maintained through 2½ years of depression and are now united in efforts to provide some measure of direct federal financial aid for the country's unemployed.

Sounding the keynote for the new Democratic policy, Senator Robinson proposed to the Senate on Wednesday that $300 millions be made available at once for loans to states for use in unemployment relief; that a $2-billion federal bond issue be authorized to carry on a construction program of self-liquidating or profit-making public works such as tunnels, bridges, and rehabilitation of slums; that a 30-hr. week be adopted as standard; that the equalization fee for wheat be applied as a test to see whether the tariff can be made effective on farm products; that the budget be approximately balanced this year and that steps be taken to assure its complete balance next year. These proposals appeared to have the backing of such party leaders as Owen D. Young, Bernard M. Baruch and ex-Governor Smith.

Hoover Talks Compromise

After a Thursday meeting at the White House attended by Senator Robinson and government financial officials, the President stated that "methods were considered of combining, simplifying, and putting into concrete form the different proposals so as to secure united non-partisan and immediate action and not to delay completion of the work at this session."

It did not become immediately apparent what form a compromise program might take. The Reconstruction Finance Corp. may be brought into the picture to lend money on state bonds (*BW—May11'32*). Senator Reed of Pennsylvania, a stalwart Administration supporter, has already offered a bill to permit the R.F.C. to loan up to $500 millions in this way.

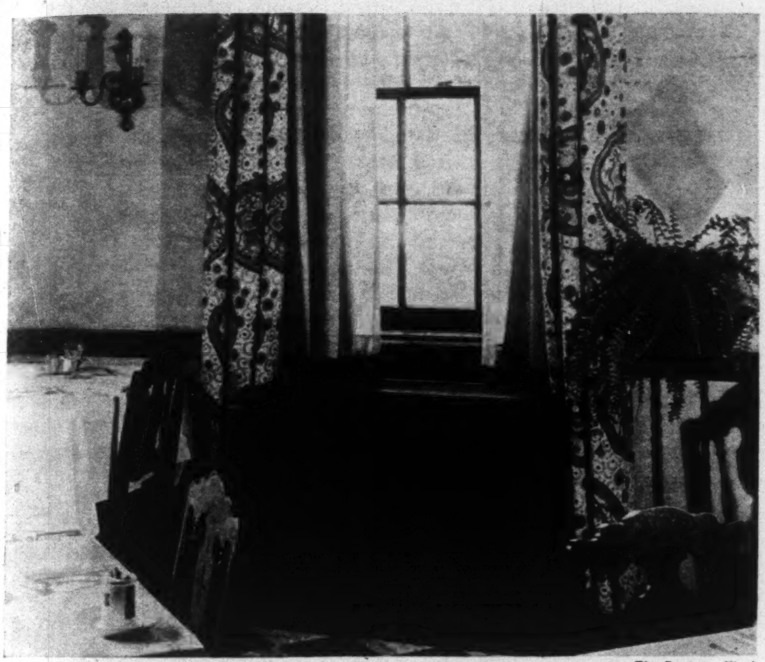
The most important thing is that leaders in Washington are agreed that something must be done; with this spirit pervading the Capitol and the White House some constructive action to stimulate business seems sure to be taken.

This pronounced change in Washington's attitude follows the development of strong country-wide opinion that some form of federal help must be given, not only to prevent suffering but to provide the stimulus to business through increased purchasing power among unemployed which will make really effective the recent measures taken to stabilize the financial condition of the country.

Ask Building Support

The American Construction Council, which embraces a wide range of business interests, recently resolved that "in order to minimize the need for public doles, large-scale employment on construction work not competitive with private industry is necessary." The executive committee of the American Society of Civil Engineers, representing 150,000 leaders of that profession in the United States, has officially approved a similar program; believes particularly that federal credit should be used to start work on the $3 billions of public projects which it estimates have been held up since the end of 1930 because of the lack of bond markets to supply funds.

The committee points out that service charges on a $3-billion bond issue would be $150 millions a year but that its expenditure for needed public works would give work to 1½ or 2 millions persons now unemployed who would cost taxpayers a minimum of $750 millions to maintain in idleness through private or public charity for a year.



The Business Week

Comfort Machine—*The glorified radiator under the window conceals water coils and blowers which blow hot in winter, cold in summer. This is American Blower's "Sirocco" unit for offices, small stores, restaurants*

Competition Lines Up For Air-Conditioning Sales

Establishment of a full-fledged, separate department for air conditioning by the General Electric Co. focusses attention upon the powerful competition lining up in this new and promising industry (*BW—Feb10'32; Mar 16'32*).

General Electric's entry into the field was forecast in 1931 when a line of heat control apparatus was placed on the market. The formation of a separate department indicates that important sales volume is expected through marketing of devices not now included in the company's line.

Already a complete oil-burning furnace is ready. A special heating and cooling apparatus for use in latitudes not subject to severe winters is reported nearing completion. And complete units, performing all the functions for complete air-conditioning, are said to be undergoing field tests.

Meanwhile, other important manufacturers have announced new equipment. Through its Fox Furnace Co. division, American Radiator & Standard Sanitary Corp. has just launched 2 types of air-conditioning systems, one to use gas as fuel, the other for oil or solid fuels. Both systems provide for controlled humidity and circulation of heated air in winter, and circulation and purification of air by a blower system in hot weather.

Heating and Cooling

Another subsidiary of American Radiator & Standard Sanitary Corp., American Blower Corp., offers the Sirocco Unit System for cooling and heating. Of the cabinet type, designed for conditioning one room only, this accomplishes heating by circulation of hot water through the same coils which in summertime receive cold water circulation and act as cooling units. A blower fan maintains circulation.

Carrier Engineering Corp., a pioneer in the field, believes that many small stores, restaurants, shops will be in the market for conditioning equipment similar to that now used in large department stores, theaters, hotels, and has just brought out a unit for their use.

Suitable for installation and economical operation in small business establishments, and requiring no extensive and complicated duct system, the new unit will de-humidify, cool, and clean the air in warm weather; humidify, clean, and heat it in cold weather. Efficiency and effectiveness are assured through forced high-velocity circulation of the conditioned air.

At a Lower Price, Ice

Scorning mechanical refrigeration, 2 companies have recently introduced cooling units which use ice as the refrigerant, propose to capitalize the lower selling price made possible by elimination of mechanical cooling equipment.

Ilg Electric Ventilating Co. offers the Ilg-Kold ice cooler, a portable cabinet with 300 lbs. ice capacity (8 to 10 hours' supply) equipped with an electric unit for constant circulation of cooled air.

Chil Aire Corp. makes a cabinet taking 250 lbs. of block ice, for 8 to 11 hours' cooling service, with forced and controllable circulation. Several companies have invaded the market with portable units of varying price, for which varying degrees of humidifying, cooling, or circulating efficiency are claimed.

Noise elimination has an important place in the picture. With complete conditioning, it is accomplished by keeping the windows shut and using sound-absorbent ceilings, drapes, and rugs. For simple installations, where single-room units are used, there are "silencers" which fit in the windows to gain circulation without street-racket.

Anticipating this market, American Radiator & Standard Sanitary, through another division, the Campbell Metal Window Corp., acquired control of the Maxim silencing device, is now marketing portable and built-in equipment for silencing and purifying or complete air-conditioning including silencing. Maxim-Campbell units are designed for single rooms, bring in a constant supply of fresh air from which up to 90% of the noise, 97% of the dirt is eliminated, can be arranged so that the fresh air is heated or cooled by water coils.

New Buildings Equipped

In New York City, a number of important buildings have been equipped with silencing and purifying units, or are being built with specially designed window-frames to which either silencing or conditioning units can be easily attached.

Radio City, which will have nearly 4 million sq.ft. of office space, will have its 20,000 windows fitted for Maxim-Campbell units, which, however, the tenant will have to provide. The 35-story Commerce Building eliminates the necessity of rent concessions on its

Third Avenue frontage, generally claimed because of noises from the elevated, by providing tenants with silencers where necessary. The new First National Bank building, now being erected at Wall St. and Broadway, New York, will have similar provisions.

Only direct competitor of the Maxim-Campbell unit is the Burgess Mountainaire silencing ventilator, which is supplied as a portable or built-in unit, has volume and direction control, is so effective in its purification process that, according to Dr. C. F. Burgess, its inventor, pollen is removed sufficiently well to relieve hay fever sufferers.

Competition is keen in the marketing end. Heating and plumbing contractors claim that air-conditioning equipment should be marketed only through them, because of the various installation problems involving piping, ducts, various accessories of the trade.

Radio dealers, who have long been looking for some device to carry them through the summer slump, believe that their sales forces are peculiarly well equipped to handle the new devices. Dealers in mechanical refrigeration, some who also handle radio, think that the new line, which may be expected to produce higher dollar sales, will bring bigger commissions for salesmen, attract the highest type of sales personnel.

Wholesalers, retailers, and distributors, directly or indirectly equipped and eligible for handling air-conditioning equipment, are convinced that when residential building and re-building once get under way, the greater comfort offered by air conditioning will attract many buyers, produce real sales volume.

Cities Launch New Drive On Itinerant Merchants

TENANTLESS stores and the public demand for low retail prices have combined to aggravate the itinerant merchant nuisance to the point where several cities have decided to do something about it. Graceless nomads injure established stores by uncrating shoddy stocks in established retail districts. Screaming signs announce fabulous bargains in the "Bankrupt Sales." For a time the unwary are enticed to buy by window displays of recognized brands. When interest lags, the store folds to re-open in another indignant community.

There's a Law

Chambers of commerce and merchants' associations are going to their lawmakers for relief. Seattle has adopted an ordinance requiring that sales advertising such causes as bankruptcy, closing-out, etc., must be the result of exactly that; providing fines up to $300 and imprisonment up to 90 days which, by coincidence, is the time limit fixed by license for the duration of such sales. New merchandise must not be added. Advertised price comparisons must be on a basis of quotations in effect immediately before the sale.

Topeka struck at the wandering store with an ordinance requiring new businesses to put up a surety of $500 which is forfeited if the licensee is not in business after 365 days. Miami passed an ordinance which demands that "sales" must be exactly as advertised. Fines up to $500, 60 days in jail, or both, are the penalties.

Merchants handling men's and women's clothing and haberdashery are most plagued by the camp followers of the present depression. Stores with vital seasonal peaks are chronic sufferers. Retail stationers have consistently fought the vagabond merchants because of the temporary stores that open around Christmas to muscle in on the universal demand for greeting cards. Flower stores have a similar problem at Easter. These interests aided the moves which in Rochester and New Rochelle, N. Y., resulted some years ago in the imposition of special taxes on itinerant merchants. Philadelphia has a like tax. In Baltimore a stiff license fee is required.

A variation of the nuisance is the sale which starts legitimately as a stock liquidation. Goods of a recognized dealer are taken over by a hard-boiled crew who keep the sale running as long as demand justifies. When the original stock gets low, new and usually inferior merchandise is injected.

An obstacle in the eradication of these stores is the landlord. Many store owners are glad to get any tenants these days. Rent for two months is better than no rent at all.

Survey Discloses Who Sells Electrical Goods

THE first nation-wide study of the relative importance of various retail outlets in the sale of electrical merchandise, made under the direction of a joint committee from the National Electric Light Association, the National Retail Dry Goods Association, and the National Retail Hardware Association (*BW—Feb18'31*) confirms some well-

FIGS PREPARED BY
VITAPACK

The Business Week

FIGS IN GAS—*Smyrna figs, favored of baker and candy maker, brought double prices when packed by the Vitapack process, which exhausts the air, preserves prime condition with an inert gas which prevents spoiling* established theories, upsets other ingrown opinions. More than 60% of all manufacturers report their sales by type of outlets.

Final figures upset the general belief that utility companies do the bulk of appliance business; they do only 32%. Department stores are second with 24%; electric specialty shops third, with 10.2%. Furniture stores did 9.9%; electrical contractors, 8.6%; manufacturers' own branches, 6%; radio stores, 2.5%; mail order houses, 1.9%; plumbers, 1.6%; music stores, 1.5%; hardware dealers, 0.9%; jewelers, 0.6%, and drug stores, 0.3%.

A separate tabulation of the sale of table appliances changes the lineup materially. It puts department stores in the lead with 30%, followed by utilities with only 18%, electrical specialty stores also 18%, contractors but slightly behind with 16%, and furniture, mail order, jewelers, branches, radio, and music stores in the order named.

The utilities and manufacturers' branches were found to obtain a substantial portion of their total volume from the sale of appliances still requiring energetic and expensive pioneering and promotional activities.

Established electrical dealers, particularly in the smaller cities, dominated in the sale of products requiring definite technical knowledge in installation, service, and repairs.

The Voluntary Food Chain Is Getting Bigger, Talking Louder

And manufacturers who have been watching its growth in a depression year are listening to what it says

RESULTS of a nationwide study of voluntary chains in the food industry, just completed by V. H. Pelz, research director of The American Institute of Food Distribution, Inc., indicate that this form of cooperation is assuming formidable proportions, demanding serious consideration from producers of food products.

With final tabulations incomplete, the study definitely accounts for over 700 voluntary chain systems with approximately 80,000 retail members, 150 more chains, 20,000 more members than in May, 1930. They range from practically local groups of 10 or 12 to combinations of several hundred, while many are further tied into nationally operating systems of several thousand independently owned food stores.

Largest Has 10,000 Stores

Largest listed is the Independent Grocers Alliance operating in 27 states, through 60 local or territorial groups with a membership reported at approaching 10,000 stores. The Red & White system is found active in 20 states through 40 local groups while the Nationwide and Clover-Farm systems, also in widely separated territories, have 31 and 23 local groups respectively.

Actual operation of the cooperating groups is patterned continually more closely after that of corporate chains, with general policies, advertising and sales effort, lines of merchandise, adjusted to meet current local competition from whatever corporate chains happen to be in the cooperative's territory.

Voluntary groups have been increasing their lines, taking on fresh vegetables and meats in greater numbers, setting up their own warehouse organizations to handle perishable goods, following closely the very pronounced trend of corporate chains, toward combination food stores.

Preliminary tabulations show that approximately 90% of all voluntary chains now advertise regularly in newspapers, use window posters; over 10% also use radio broadcasting and farm paper advertising; 75% require member stores to carry definite carefully specified means of identification; and to be eligible to 50% of these chains candidates must remodel store interiors to meet certain minimum standards.

Significant is the fact that manufacturers of various food products are in increasing numbers organizing for specific cooperation with voluntary chains, either by offering merchandising help and sales cooperation or by making concessions to group buyers. Of the voluntaries reporting, 83% said that they had received some degree of special cooperation from cracker and biscuit manufacturers, 51% from butter, eggs and cheese interests, 44% from store equipment makers, 41% from fruit and vegetable suppliers, 36½% from cured meat, 19% from fresh meat houses.

With advertising brands so frequently used as price-footballs by the corporate chains, voluntaries find it increasingly profitable to promote their own private brands of merchandise and many have built up tremendous volume on absolutely controlled brands. The present study shows that over 60% of them are now marketing goods under their own brands and that the general practice as well as variety of goods so sold is steadily increasing. Manufacturers of nationally advertised foods realize that, if they are to get business from the voluntaries, they must enable the latter to handle their lines at a profit.

Business Men Score On "Political Receivership"

POLITICAL receiverships conducted as plum-shaking operations for party leaders rather than for the protection of creditors have long irked business men who have to deal with bankruptcy cases —as what business man hasn't in recent years. Some business men have become cynically accustomed to the dissipation of insolvent debtors' estates in liberal fees and expense checks, to the fee-splitting, favoritism, and divvying up among party henchmen that goes with the use of receivership appointments to repay political obligations.

Northern New Jersey business men haven't, and the results of their recent protest against a particularly odoriferous appointment to the receivership of an important bankruptcy may serve as a demonstration of what can be done when business men take up arms.

Got Quick Action

After creditors had filed an objection to this appointment on the basis of the appointee's previous record as well as the court's previous record of appointments, the irate Jersey business men organized a fighting committee of 100 representing an imposing list of corporations and individuals. This committee proceeded to adopt a resolution calling upon the governor to investigate the state's Chancery Court. First result was the ejection of one vice-chancellor. Further disciplinary measures are expected to follow.

Other states have been pushing through bankruptcy reforms. In New York business organizations under the leadership of the New York Credit Men's Association have engineered an amendment to the state law on membership corporations, giving such organizations legal power to act as receivers or trustees in bankruptcy, assignees or trustees in settlement cases, functions which previously could only be performed by individuals or trust companies. They point out that the advantage of association or creditor-committee control of insolvent or bankrupt estates has been demonstrated wherever such groups had opportunity to function.

Whenever one of the 70-odd local bureaus of the National Association of Credit Men has been involved in cases that actually reached the bankruptcy court, improved and more economical methods of liquidation have increased the final returns to creditors to an average of 13.6% average for the country, against less than half that return on cases handled through the normal procedure. Returns to creditors in cases where friendly liquidation for their benefit has been effected by these bureaus have averaged over 30%.

Chances Look Poor For New Bankruptcy Law

CONGRESS is not expected to pass a new bankruptcy law. Defects in the present law are conceded, but there is considerable criticism of the new bill, drafted by the Department of Justice.

Objections are that the new bill extends the government's supervisory powers, and there is much clamor just now against further governmental intrusion into business.

Solicitor-General Thacher proposes, in his measure, creation of a body of examiners whose duty it would be to discover all the assets of a bankrupt. Creditors are amazingly indifferent today—no creditor attended 75% of the meetings for election of trustee, during a 10-week study made by the Department. But this proposal to have the government look after the interests of creditors who will not look after their own evokes no Congressional enthusiasm.

Another controversial section would permit compromise settlements without the stigma of bankruptcy by assignment of assets or by corporate reorganization.

The bill aims at breaking up bankruptcy rings that have flourished under the so-called creditor-controlled system by giving the Department of Justice supervisory authority and imposing rigid qualifications upon referees, trustees and other officials. It would reduce the normal expenses incident to administration of bankrupt estates. Now on a fee basis, referees would be put on a salary fixed according to the volume of business, with a maximum of $10,000 a year. The fees of trustees would be limited to 10% on $2,000, 4% on $10,000–$20,000; 2% on $20,000–$1 million; and ½% on multi-millions. Provision is made for doubling these stipends for unusual services.

The original bill has been buried under a flood of amendments, and hearings promise to continue indefinitely. The committee is in no haste to push the bill, preferring rather to study the whole situation thoroughly.

Earnings, Not Assets, Making Prices of Industrial Stocks

Many issues quoted at a price less than their available net working capital

MORE than half of the outstanding industrial stocks listed on the New York Stock Exchange are selling for less than their book values.

In many instances they are selling for less than the amount of net working capital available for each share of common stock. In effect this means that should a company clear off all indebtedness out of current assets and *give away* its plants and equipment, there would still be more left for common stockholders than can be obtained in the open market. The point, beyond the obvious one that depression psychology has run to an extreme, is that earnings have supplanted assets as the modern measure of market value.

A compilation covering 25 outstanding industrial and utility stocks shows average book value of $61. The average market price per share this week is under $40; it was $200 in 1929. Book values are exclusive of good-will, patents, and other intangible assets.

Striking Examples

Book values and current market prices, respectively, of some of these companies are as follows: Allied Chemical, $90–$55; American Can, $60–$39; A. T. & T., $143–$99; Brooklyn Union Gas, $89–$70; Detroit Edison, $113–$84; Peoples G. L. & C., $142–$67; Standard Oil Co. of N. J., $50–$25; U. S. Steel, $199–$29; Otis Elevator $25–$13; Congoleum-Nairn, Inc., $21–$9.

At 23, the 2,586,181 shares of Westinghouse are evaluated at $60 millions. Subtracting from current assets the sum of all liabilities other than common stock and surplus leaves $86 millions, or $26 millions more. Above this are the investments, factories, and equipment of the company. Stated differently, after allowing $5.50 per share for R.C.A. holdings, a buyer at current prices gets $34 in current assets, $6 in investments in other companies, plus $50 worth of plant and patents.

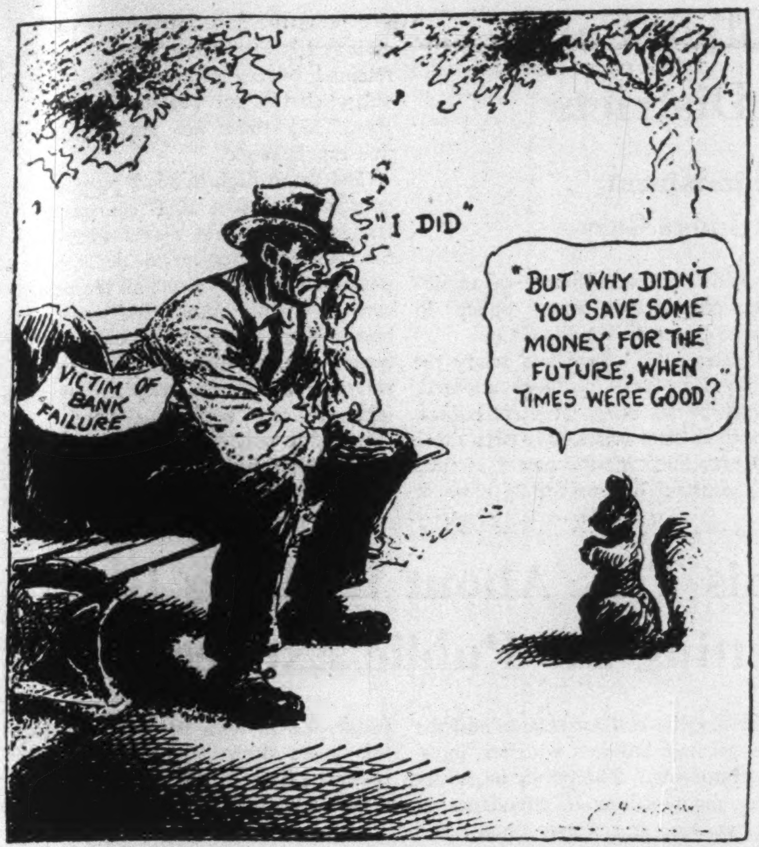
The market value of all International Harvester stock outstanding, at the recent price of $18, was $77 millions, or only 53.7% of its book value of $143 millions after assuming that all the fixed assets are valueless. American Radiator and Standard Sanitary Corp. common stock, at $5, has a market value of $51 millions. Deducting from total assets (except intangibles) the sum of all liabilities except common stock and surplus leaves $135 millions.

More Instances

A similar analysis applied to Texas Corp. shows common stock selling for $108 millions, for which, after clearing the company of all indebtedness out of current assets, there remain $38 millions in current assets and over $300 millions in fixed assets such as plants, equipment, etc.

After paying all indebtedness out of the current assets of Montgomery Ward, there remain $68 millions applicable to the 4,514,000 shares of no par common, or some $15 per share. The tape reads 7½. Applying the same analysis to P. Lorillard Co. leaves about $31 millions for the common stock or over $16 per share, allowing nothing for fixed assets, or the millions spent in advertising and any good-will that might have resulted therefrom. Market quotation is about $13.

The preferred and common stocks of Endicott-Johnson are quoted at $20 millions, while book value for common stock alone is $23 millions, or $57 per share, after allowing $125 per share for the preferred and including reserves, but excluding $17.27 per share good-will.


"I DID"
"BUT WHY DIDN'T YOU SAVE SOME MONEY FOR THE FUTURE, WHEN TIMES WERE GOOD?"
VICTIM OF BANK FAILURE

"A WISE ECONOMIST ASKS A QUESTION"—*Packed tight with social and business significance, John T. McCutcheon's cartoon in the Chicago Tribune won the Pulitzer award as the best published in an eventful year*

Casualty and Surety Insurance Companies Unite for Strength

CASUALTY and surety insurance companies are talking of mergers—to effect economies, to strengthen financial structures.

They have been operating under a heavy strain during the past 2 years, what with the depreciation in security values and unfavorable underwriting results. The recent Argus Casualty & Surety Report, covering 651 or them, shows that premiums shrank from $886 millions in 1930 to $823 millions in 1931. Losses paid rose to $529 millions in 1930, $535 millions in 1931. Greatest loss in premium volume in any one line was in workmen's compensation, in which $123 millions was taken in 1931 as against $150 millions in 1930. Surety business made a feeble record last year, not only falling off in volume but chalking up loss payments $48 millions higher than premium income, a loss ratio of 103.6%.

Statistics for casualty and surety companies reporting to the New York Insurance Department tell the same story. Losses paid increased during 1931, total income declined $55 millions, and combined capital and surplus fell off over $60 millions.

The Independence Indemnity Company (of Philadelphia) offers a typical illustration of how deflation has hit the insurance field. At the end of 1929, this company and 8 others, since merged into it, reported assets of $37.7 millions, combined capital of $5.3 millions, net surplus of $7.4 millions. The January, 1932, statement (latest available) shows assets of only $17.3 millions; capital of $1 million, and net surplus of $3.4 millions. Over $20 millions (almost 53%) of the assets and more than 65% of the capital and surplus have been counted out.

In the last 2 years Independence Indemnity has absorbed by merger or purchase Commonwealth Casualty, American Mine Owners Casualty, Liberty Surety Bond Insurance, Underwriters Casualty, Public Indemnity, Georgia Casualty, Hudson Casualty, and Atlas Casualty. The boards of directors of both Consolidated Indemnity & Insurance and Transportation Indemnity of New York have recommended merging to their stockholders. Combined assets exceed $10 millions, and capital and surplus approximate $2.5 millions. Companies grouped in the latest merger reports have assets amounting to more than $50 millions according to latest statements, combined capital of $7 millions, aggregate surplus of about $6.5 millions. Formal announcements are now awaited.

In line with the decapitalization policy adopted by many industrial and public utility concerns (*BW—Mar16'32*), some casualty companies have made capital reductions for the purpose of increasing surplus in order to set up reserves against depreciation in the value of securities and still have sufficient surplus to pay dividends in accordance with legal limitations. The Continental Casualty Co. of Chicago, with assets of $23 millions, reduced capital from $3.5 millions to $1.75 millions through reducing par value of outstanding stock from $10 to $5 a share.

Foreign Bond Owners Advised to Sit Still

AMERICAN holders of $780 millions of foreign bonds in default will gain nothing by spending money to form protective committees. This is the judgment of the Institute of International Finance, conducted by the Investment Bankers Association.

It is true the British Association of Foreign Bondholders has performed valuable service, but the investment bankers point out it is useful only to defend legal rights, or to achieve necessary changes in loan contracts. No such points are involved just now; most of the defaulting countries will pay as soon as world upturn permits.

Chile had more issues in default ($268 millions) than any of the other South American countries, May 1. Brazil's issues in default were $257 millions; Peru's, $91 millions. Hungary, Bulgaria, Greece, and Mexico cannot service dollar bonds. Chile and Peru have not included debt service in their budgets at all; Bolivia has made some small provision.

U. S. Steel's New Policy Calls For 4 Autonomous Districts

Decentralization of management imminent, reversing a tradition dating from Judge Gary

U. S. Steel Corp., under leadership of Myron A. Taylor, has taken three important steps in the development of policy since 1927. In 1929, it retired its bonded indebtedness, reducing fixed charges by $29 millions a year. Next, it began to shift its production on the basis of a geographical study of markets. Third, it began to lift younger men to leadership, as in the election of William A. Irvin as president. The result has been new emphasis on product and merchandising study.

A fourth step is reported to be imminent. It is a move toward decentralization, directly opposed to the trend expressed in the recent reorganization of General Motors Corp. (*BW—Apr 6'32*). U. S. Steel is expected to provide almost complete autonomy for its leading subsidiaries, perhaps under regional control in the Pittsburgh, Chicago, Birmingham, and Pacific Coast districts. Each unit is expected to have great independence over its own sales and production policies. This is a radical change; heads of important operating subsidiaries had almost no autonomy in the past.

Fast-Growing Rival

For many years the corporation's proportion of total steel output has been declining. The management is not particularly disturbed over this, but apparently has decided not to let it continue much further. Steel's largest competitor, Bethlehem, has been growing fast, and probably will continue to grow through more consolidations.

U. S. Steel has long operated on the "live and let live" policy in respect to prices. It has not initiated price cuts, has met them only when necessity demanded. It is unlikely to change this policy unless too large a tonnage is lost to competitors on a price basis. Typifying the corporation's price policy, Mr. Taylor recently stated that artificial price-fixing will lead to disaster but that controlled production will come about automatically through the replacement of obsolete equipment and voluntary sacrifice of volume to secure stability.

Steel's new president is noted for achievements in operating economies, along with the establishment of an unusually constructive wage policy in American Sheet & Tin Plate Co.

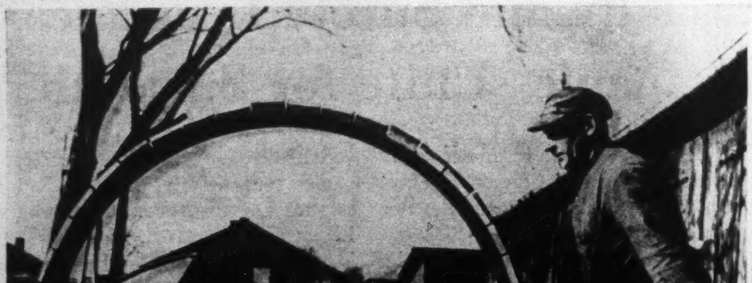
The latest 15% wage and salary cut made by Big Steel has been adopted, as usual, by all other steel companies. Inasmuch as steel prices have been more or less stabilized for the past 3 months after a constant decline for 2½ years, it is evident the industry believes possible savings from the latest wage cut may be retained by the industry. As pointed out when this cut was forecast (*BW—Apr27'32*) there are grave doubts if this can be done.

The same high-minded purpose was expressed when a 10% cut was made last fall but within a few weeks after the cuts, further price declines had passed on to steel buyers all the possible savings. With automotive leaders the best steel prospects and notoriously close buyers of raw materials, there is considerable skepticism whether the steel industry can keep the savings, or whether it will not have to pass them on—leaving the corporations just where they started.

This Talk About Housing Is Getting the Public Excited

It isn't just the real estate men and the thumb-twirling builders who are interested in housing. The public is getting excited about it too if attendance at home, garden, and flower shows and at the opening of new home projects means anything. Better attendance than in 1931 featured recent home shows in Milwaukee and Kansas City. Long Beach, Calif., held its first home show this year, drew 50,000 visitors. In Indianapolis, 30,000 paid to see the current show compared with 85,000 who attended free last year. Only in Detroit did attendance under the same conditions decrease in 1932.

Similar interest has been shown in new housing developments. Most


Keystone

Believe It or Not—*It's a wheelbarrow—probably the first improvement on man's oldest wheeled vehicle. It carries its own track, rolls easily over rough ground, and the loads stay level* spectacular was the opening day of the Buhl Foundation project in Pittsburgh a few weeks ago when 25,000 persons visited it on the first day and 1,100 applications were received for the 125 homes available. A steel house being erected in Chicago by J. H. Marling is getting 250 visitors a day.

Architects Study Problem

Meanwhile, business interests are giving increased consideration to the possibilities of housing as a source of profits for 1932 and later years. The American Institute of Architects devoted a good part of its recent annual meeting at Washington to discussions of housing and of how architects could participate. In agreement with other students of the problem, the association declared that traditional individualistic house building is wasteful and excessive subdivision of land a costly handicap in providing cheap homes. Large-scale operations produce the best results, it maintained, and unified ownership of housing gives the greatest protection against deterioration.

At the end of June the National Association of Real Estate Boards will hold a 3-day housing conference in connection with its annual meeting at Cincinnati. The central theme will be a survey of local housing needs.

The Westchester County (N. Y.) Realty Board has already held one of these local conferences, the first to be organized. A preliminary survey showed 98% occupancy of homes in the county, with much doubling up of families and building operations practically at a standstill because of lack of mortgage money. Government officials, bankers, business men, members of women's clubs, town planners, and architects have organized committees to join the real estate group in forming plans.

Forum in New York

On May 24 and 25 a forum on the use of modern building materials and methods for home building will be held in New York under the auspices of the American Institute for Steel Construction. Architects, builders and all persons interested in home building have been asked to submit drawings, plans and exhibits illustrating their suggestions as to how the problems of modern housing should best be met.

Additional evidence of the great need for new housing has just been presented in a survey made by Paul Mazur for *Building Investment*. He estimates the deficit of residential buildings today at $1,890 millions in 1913 dollars, $3,454 millions in 1932 dollars. Starting with housing as of 1900, Mr. Mazur has considered the more rapid increase in number of families than in total population; the decrease in the rate of family growth during recent years; the shift from rural to urban population. He concludes that, based on 100 in 1900, residential needs have risen to 328 in 1932.

Recent studies made by real estate boards of 177 cities indicate that, while there appears to be a normal number of vacancies among residential structures, a study of how families have been doubling up during the last few years of financial stress makes it evident that a shortage of residential facilities is rapidly accumulating.

Despite the "doubling up," the surveys show vacancies no more than normal, less than 10% in most cities surveyed. Typical vacancy figures for single-family houses are: Chester, Pa., 5.6%; Detroit and neighboring Michigan cities, 4.5%; Kansas City, 5.8%; Milwaukee, 2.0%; Oklahoma City, 5.6%; Oakland, 5.1%; Pasadena, 4.1%; San Antonio, 5.4%; San Diego, 5.6%; Tampa, 7.5%; White Plains, N. Y., 3.5%. In New York City the Bronx has an 8.7% vacancy among old-law tenements, 10.1% among new-law ones; Brooklyn 13% among old-law, 6.1% among new-law; Manhattan, 17.9% old-law, 10.7% new law.

Thrift Gardens Relieve Relief, Hurt One Market, Help Another

Industries back state and national efforts to show unemployed how to dig in against depression

DUPLICATING quietly a blatant war feat, the forces of the nation are getting behind a general campaign for relief gardens. Then the enemy was far distant; now he is so close that combatants, entrenched between the rows, can see the whites of his eyes. Tomatoes become hand grenades, parsnips bayonets.

The President's Emergency Committee for Employment is the clearing house for organization and technical information. It furnishes guiding rules for states, communities, relief organizations, private corporations. Perhaps one reason why the national government has proceeded sans ballyhoo and posters is that the encouragement of town gardens reduces the market of the many-voted farmer. What the farmer and the truck grower lose will be gained in part by the seller of seeds, garden equipment, canning materials, etc. Here is an inevitable drift in demand that retailers will do well to watch.

5 States Start It

Last year the states of Illinois, Indiana, Kentucky, Ohio, West Virginia intensively promoted subsistence gardens on plans especially adapted to industrial unemployment. Official and relief agencies cooperated in campaigns through Alabama (where every county was organized), Tennessee, Louisiana, Mississippi, Arkansas, Virginia, Georgia, North Carolina, Oklahoma, Texas, and other states. A count in Texas showed that the number of spring gardens jumped from 179,000 in 1930 to 259,000 in 1931. This year will see an increase in such efforts.

Industries joined the movement. Coal and lumber companies have been especially enthusiastic since they have large plots of land available and are usually situated in rural communities. Some of the large corporations which have aided employees to start gardens are International Harvester, Firestone, National Cash Register, Pennsylvania Railroad, Dayton Malleable Iron, Rock Island Railroad, Consolidation Coal, U. S. Coal & Coke, Long-Bell Lumber, Great Southern Lumber.

Ambitious New York

New York, through its State Temporary Emergency Relief Administration, announces ambitious plans for the present season. It hopes to induce 50,000 families to start gardens. Of these 20,000 are in New York city. The state will help plow and prepare community or privately-donated plots. Shacks for summer residence may be encouraged, an experiment tried in Germany.

Beneficent effects of the garden movement are many. Food raised conserves relief funds by cutting down necessity for buying. Surplus can be canned for winter consumption. Just as important are therapeutic and psychological benefits. Persons who otherwise would brood indoors will be kept busy at healthful work in the sunshine. Deep in every man's soul is an ancient hankering to dig in the soil, to see things sprout, to harvest the increase.

As a guide for the industrial worker in his return to the soil, the President's organization furnishes literature, recommends useful Department of Agriculture booklets. It divides the projects into 5 types: backyard gardens, vacant lot gardens, community plots divided into individual gardens, industrial gardens for the part-time or unemployed company workers, undivided community gardens. Cooperation is urged as it simplifies expert guidance, cuts the costs of preparing the ground, seeds, and equipment. Most necessary for success is expert supervision, which can best be had from state agricultural services. Trained leadership can pick desirable soil, fit it to types of seed, organize protection from theft, help the garderners to understand the work and appreciate its value.

Detroit An Example

Detroit's experience with Thrift Gardens last year is cited by the President's Organization as a dramatic large-city example. Its statistics are impressive. The total of 4,369 gardens cost $17,837, raised produce worth $218,450. They covered 300 acres, were superintended by 16 field men. Field gatherings resulted in an organization with regular meetings. Demonstrations were given to show the growers how to can their surplus. Many families put up 200 jars of vegetables. Employment conditions in Detroit are much improved. But the 1931 effort was such a success that participants insisted on its continuance this year.

Base Wages on Size Of Orders Obtained

An unusual wage agreement by which wages are adjusted in inverse proportion to the size of orders being worked on has just been reached between the Philadelphia Upholstery Manufacturers Association and the Upholstery Weavers Union No. 25 and the Loom Fixers Union. The agreement provides for an average wage cut of 15% from present scales, with a sliding adjustment to compensate workers whose hours of work are limited by short-run orders.

The basic wage will be paid for runs of average size. On long runs, which assure steady work for long periods, there will be further cuts in wages to a maximum of 15%; for shorter runs, bonuses up to 15% will be paid.

Loom fixers, who oversee about 30 looms, will get a bonus of 1% of weavers' wages. On certain fabrics weavers will tend 2 looms for which they will receive 1⅝ times the basic wage. An unemployment reserve fund is also provided in the agreement, to which employers will contribute 2% of payrolls and weavers 1%.

Signing of the agreement is expected to strengthen the position of the manufacturers' association and induce outside concerns to join, since union officials will not permit members to accept wage cuts from non-member manufacturers unless they also get the other provisions included in the agreement.

Louisville Wage Plan Will Reward Economy

Louisville's wage policy is unique. A 10% wage "suspension" was made Jan. 1. Whether the 10% will be paid depends on cash position at end of the fiscal year, Aug. 31.

This plan has worked to make employees economical. Departments watch each other. Requisitions and purchase orders are scrutinized as never before. Result: free and uncommitted cash on hand today, $627,000, as against $286,000 on the same day last year, and a period of heavy tax collections yet to come. Wage suspensions to date total only $75,000.

Taxes and cost of government, rising in most places, are going down in Louisville. In 2 years the tax rate has shrunk from $2.40 to $2.34 to $2.23 per $100 of assessed valuation. Assessed valuation has fallen off, too. The face amount of tax bills this year is 13% less than in the fiscal year 1929-30. Tax delinquencies have mounted, but the city lives within, not merely its paper income, but its cash income.

Figures issued by the U. S. Bureau of Census show that Louisville has the lowest per capita cost of government of the 24 cities over 300,000 (Washington not included), and with one exception (St. Louis) has the lowest per capita funded debt.

Louisville's relatively happy condition demonstrates the cash value of a simple form of government. Mayor William B. Harrison calls it "a life-saver in times like these."

Louisville has a short ballot. Mayor, comptroller and inspector, and 12 aldermen are the only elective officials. The government is divided into six departments, heads of which are appointed by the mayor and may be removed by him at his pleasure. One central bureau purchases for all departments; it bargains and takes discounts.

Oil Companies Follow Up the Home Folks

The automobile touring season is a good time for service stations—but not for all service stations. When warm weather begins to take neighborhood customers away on week-end and vacation trips, neighborhood stations lose some of the dollars picked up by those located along the main trails and in the recreational areas. The big oil companies, interested in the promotion of motor touring to increase the use of their products, must look after these shifting dollars.

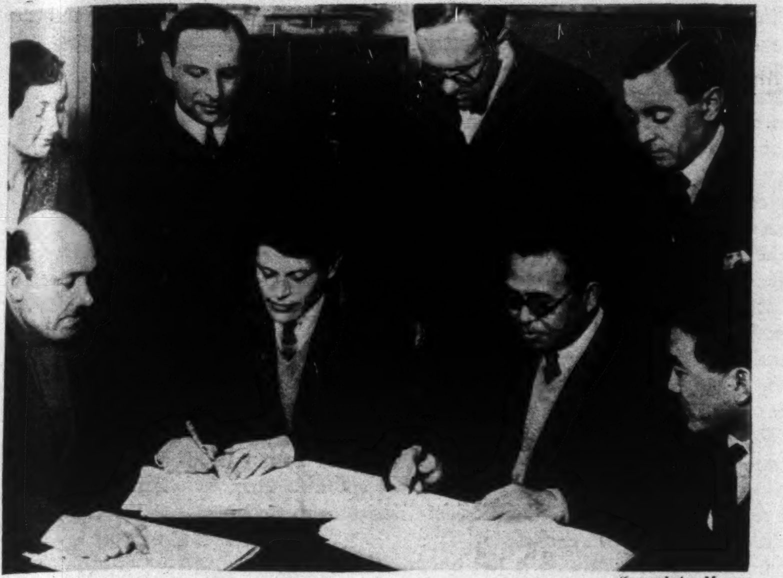
Standard Oil merchandising policies have been specially built to cultivate neighborhood business. Standard oil service stations are neighborhood institutions supported by the steady trade of nearby customers.

To keep such customers loyal when they leave home on vacation tours, bring them into Standard stations en route, Standard Oil of New York tried out last year the distribution of a series of 4-page news sheets, known as *Socony Tours and Detours*. This publication, broadcasting information about attractive motoring trips and keeping trippers in touch with road conditions, served also to remind them of the things that home experience had taught them to like about Standard service. The experiment was so successful as a goodwill builder that several of the Standard Companies will take it up this summer. However, issues will appear monthly this year instead of bi-monthly.

Keeping Touring Customers

The detour map, a feature of each issue, enables the prospective tourist to know in advance when and where on any given route detours or construction activities will be encountered. Knowledge that dependable information on road conditions will be available at all Standard stations is expected to lead him to Standard stations while on tour.

The first issue of *Tours and Detours* is now being distributed at service stations of the New York, New Jersey, Pennsylvania, Kentucky, and Louisiana Standard Oil Companies, located in 23 states. With 1 million scheduled for distribution by the New York company, 400,000 by the New Jersey company, others in proportion, monthly editions will total nearly 2 million copies.



Soyuzphoto, Moscow

CONCESSIONS FOR JAPAN—*Despite the friction in Manchuria, the Soviets continue to grant oil concessions on the Island of Sakhalin to Japanese mining interests, under terms of the treaty which divided it between Japan and Russia. This is Japan's nearest source of oil*

They Have Had to Count Russia In on the World Oil Market

Long struggle has ended with Soviets holding an important place at the conference table

LONDON and New York have fought some real oil battles in the last 30 years. Scenes of action have shifted all over the world. Wichever way the victory has gone, third parties have been quite generally subjugated. Except one.

Intense and bitter has been the struggle with Soviet Russia. London has persisted longest. New York some time ago found it more profitable to "see" Russia's side to the point of buying considerable quantities of Soviet oil for distribution in its foreign markets in the East.

Socony–Vacuum is host to a conference now meeting in New York. Moscow is officially represented by 3 important representatives. British interests (Royal Dutch–Shell, Anglo-Persian, and Burmah Oil) have sent delegates.

International Conference

It is a real international conference though only 3 great nationals are intimately concerned. The United States and Russia are the 2 greatest producers, but British interests, which include large holdings in the United States, spread from Persia to Venezuela. And the marketing operations of the 3 extend from Nome to Punta Arenas, conflict sharply in many of the greatest consuming areas.

Involved in the present discussions are at least these 4 major topics:

(1) Rational division of the world's export markets;

(2) Curtailment of production;

(3) Some fixed agreement for marketing Russia's exportable oil;

(4) Consideration of a uniform price which will end cut-throat competition and allow for a reasonable profit.

Oil interests have no completely satisfactory explanation why the conference is being held just now. There are many contributing factors.

Oil prices everywhere are unprofitable because of price-cutting on top of the depression. In the past it was often possible to support a price war in one area with the profits from another. Standard and Royal Dutch have both tried it with varying degrees of success.

Royal Dutch has recently witnessed a serious collapse in the prices of its shares on major securities markets. Not insignificant in the reasoning of the market is the failure of the Royal Dutch campaign against Russian oil. Two points loom large:

(1) Russian Oil Products (R.O.P.), controlled by Moscow, has set itself up in Britain (1924) under the very nose of Royal Dutch–Shell, has gained an important place in the British market. Imports of Russian oil have increased —from 53,000 tons in 1924, to 980,000 tons in 1931. This is about 14% of the total capacity of the British market.

(2) Royal Dutch (fathered by Sir Henri Deterding) has pursued a dogged anti-Russian policy, refusing to buy Russian oil unless it can have a monopoly (except for a time in 1926) while Standard Oil, in the competitive India market, has bought Soviet Black Sea oil cheaply, saved 5,000 miles of transport to the India market. Marketwise business men recalled the report issued from New York at the height of the India struggle: "The significance of this price warfare will be realized when it is stated that this form of competition, if continued, will cost the Royal Dutch–Shell and Burmah Oil Companies approximately $12,750,000 a year and Standard Oil Company of New York approximately $4,000,000 a year." Multiplied by other fields, and continued, this kind of competition is bound to undermine the soundness of any company.

The demoralization of the American oil market is another not insignificant factor already comprehended at home.

Russia's Importance

But the deciding factor, no doubt, is Russia. Few persons realize that in 1898 Russia surpassed even the United States as a producer of oil. In 1901, Russia supplied 55% of world output. The war and the revolution temporarily suspended Russia's importance. Then the Soviets pushed the oil business as an integral part of their industrialization scheme.

Before 1928, oil production in Russia, principally in the Caucasus area, had surpassed prewar output. In 1931, Russia produced 23 million tons, or 11.8% of world production, and exported $5\frac{1}{2}$ million tons, or 7% of the world export. Soviet oil production by 1933 is expected to reach 46 million tons.

More important is the fact that neither Royal Dutch nor Standard, singly or in combination, has been able to run the Soviets out of world markets. Evidently there are going to be, from now on, at least 3 great national interests in world oil instead of 2. Backed by the estimated largest petroleum reserves in the Eastern Hemisphere, the Soviets evidently are going to demand (and secure) a share of world export markets. Already they have contracted for the sale of oil to Spain, France, Germany, and Italy. They supply 10% of the South African market, have an appreciable market in Australia and New Zealand.

Standard interests for some time have contracted for large quantities of Russian oil for sale in export markets. Perhaps that accounts for the meeting being called in New York.

Officials of Standard and Royal Dutch have spoken most cautiously, revealed little advance information. That is to be expected. They have duelled so long and furiously the world has come to look for facts, not words.

Perhaps the most significant statement from the Russians is one made in London in January by the R.O.P. chairman: "The development of our oil industry is closely connected with the industrialization of our country. To compel us to give up developing the oil industry and to curtail its production—the policy adopted by the 2 (great competing) concerns—is absolutely impossible. These concerns will be forced eventually to the conviction that the world oil market will not improve until they arrive at an understanding with Soviet oil interests."

And the statement issued in New York by Mr. Riabovol, head of the Soviet delegation:

"We wish to make it very clear that we understand that the aim of the oil meeting is to discuss the entire oil export situation and that it is not a meeting to discuss Soviet oil exclusively. The Soviet Oil Export Syndicate is not only willing but anxious to cooperate in measures which promise to improve the condition of the world oil markets."

The Standard Oils Seem to Be Wheeling Back Into Line

Deal with Indiana company will close the gap left by a New Jersey-California merger

WHILE the recent deal to transfer the foreign properties of Pan American Petroleum & Transport Co. to Standard Oil of New Jersey (*BW—Apr 27'32*) had ample justification in itself, statements made last week at annual meetings of Standard Oil companies of California and Indiana indicate that it may have been the first move in a broad realignment of Standard Oil properties which would bring them into closer relationship than has existed since the dissolution decree of 1911.

Of first importance was the statement of Kenneth R. Kingsbury, Standard of California president, that negotiations were continuing for a merger of his company with Standard of New Jersey. This move has been discussed ever since consummation of the Standard of New York–Vacuum merger seemed to open the road. Many oil interests believe that the merger of these other 2 great Standard Oil units will be completed soon if no objections are raised by the Department of Justice.

As far as direct competition goes, there is considerably less ground for governmental objection to this merger than to that of the New York company and Vacuum Oil, which admittedly competed in certain territories. Standard of New Jersey is now acknowledged as the world's largest petroleum organization—having recently surpassed in size the Royal Dutch–Shell group—but half of its business is abroad and its domestic marketing activities are confined chiefly to the Atlantic seaboard states.

The California company is the largest producer of crude petroleum in the country, is ranked only by Royal Dutch–Shell and New Jersey Standard in world output, but confines its marketing activities to the Pacific Coast states, Mexico, and Hawaii. A combination of the two would make an industrial unit with well over $2 billions of assets, immense petroleum production and refining facilities and with world-wide markets except in a strip of Mississippi Valley states in this country.

Indiana's Position

In this wide band of Mid-Western states, Standard of Indiana holds sway with the largest refining capacity in the country and with retail distribution in 13 states. There is little likelihood of any direct consolidation of the Indiana company with the other two, but some of the effects upon it of the sale of its 96% interest in the foreign business of Pan American to New Jersey Standard are interesting.

Standard of Indiana will get about $50 millions in cash and about 8% of outstanding Standard of New Jersey stock which, except for the Rockefeller interests, believed to hold about 15%, will make it the largest individual stock owner of the world's largest oil company, from which it was forcibly divorced 20 years ago. Legal experts

International News

TEAGLE OF STANDARD (N. J.)—*He heads the world's biggest oil company, which may be bigger if the Standard of California merger goes through* point out in this connection that while the decree forbids New Jersey Standard's acquiring stock interest in its former subsidiaries, there is no stipulation against former subsidiaries acquiring interest in the parent company.

Despite its heavy stock interest Standard of Indiana will not be directly represented on the New Jersey board. The nearest it will come to direct representation will be the board membership of Robert G. Stewart, who will relinquish his present presidency of Pan American in order to take the new post.

Farm Land Must Be Farm Land in California

CALIFORNIA'S State Real Estate Department has been doing a unique job of real estate censorship. During the past 3 years its inspection of proposed farm land subdivisions has resulted in the suppression of faulty, ill-advised or fraudulent farm land promotions amounting to nearly $1¼ millions a month—this figure representing the total proposed sale price.

Of 73 proposed subdivisions, totaling 234,921 acres, with a proposed sale price of $38,177,398, inspected by the department last year, 69,545 acres with a sale price of $15,731,127 were withdrawn or diverted to other uses.

This service to prospective buyers of farm lands has been made possible by exhaustive research. During the last 3 years the Real Estate Department has been collecting data concerning land in the state and making cost-of-production studies on the basis of actual experience of farmers. Its findings, together with topographic maps, information on water supply, soil surveys, etc., are readily available in duplicate libraries established in Fresno and Sacramento.

Hotel Porters Become Bus Ticket Agents, Too

THE railroad idea of selling passenger tickets to hotel guests through hotel porters has been taken up by the buses.

Buckeye Stages of Columbus, O. pays hotel porters 10% of the price of each ticket they sell, with a minimum of 75¢. This is more liberal than the 50¢ that the railroads pay, but the company feels that an extra inducement is necessary to make the railroad-minded porter more bus-conscious.

Buckeye Stages also pays the porter 10% of the gross on all charter business he gets for the company.

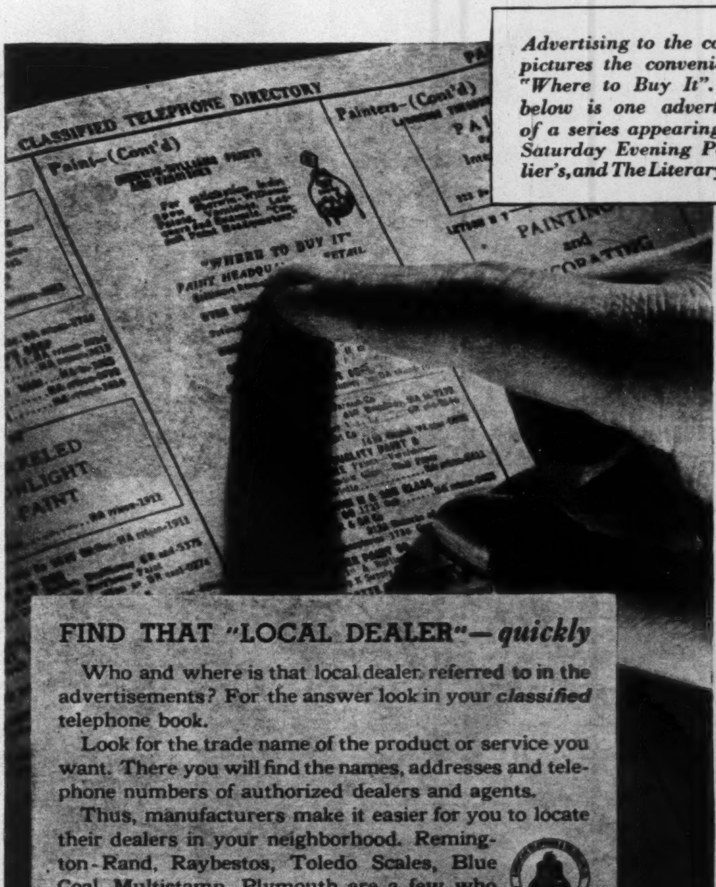
It makes your advertising dollar work harder

If your prospects can't find your dealers, the best advertising in the world won't make them buy your product or service. Thousands of sales are lost every day for that very reason.

Make your advertising results more certain by telling prospects exactly *where* to buy your product. List your local dealers under your own trade name in the classified telephone books wherever you have distribution. Then in all your advertising and broadcasting, refer people to these "Where to Buy It" listings.

Discuss this with your advertising and sales counselors or the Trade Mark Service Manager, American Telephone and Telegraph Co., 195 Broadway, New York, N. Y. (EXchange 3-9800) — *or* 208 W. Washington Street, Chicago, Ill. (OFFicial 9300).

Advertising to the consumer pictures the convenience of "Where to Buy It". Shown below is one advertisement of a series appearing in The Saturday Evening Post, Collier's, and The Literary Digest.



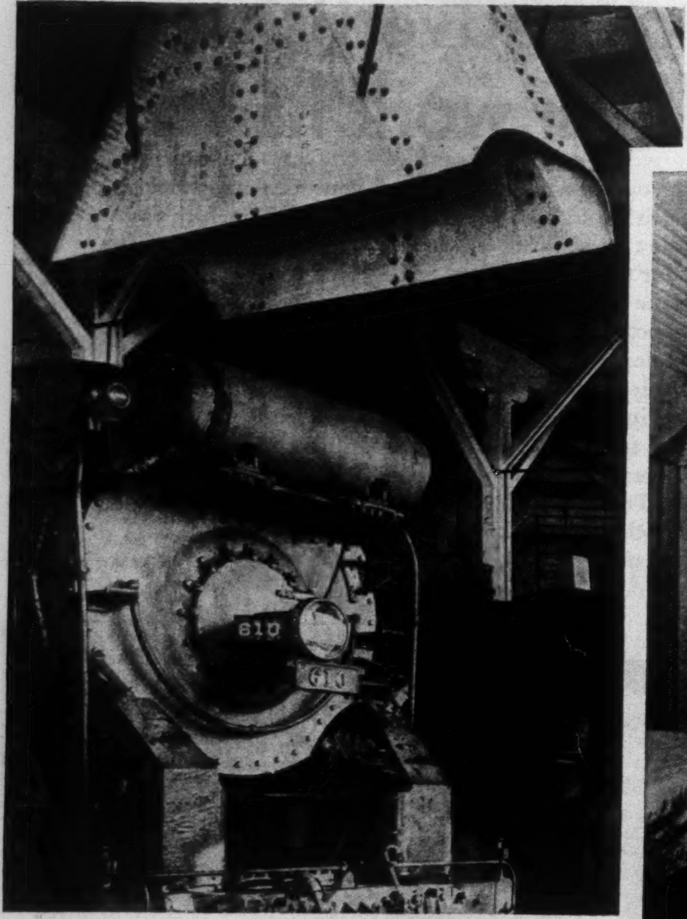
FIND THAT "LOCAL DEALER"—*quickly*

Who and where is that local dealer referred to in the advertisements? For the answer look in your *classified* telephone book.

Look for the trade name of the product or service you want. There you will find the names, addresses and telephone numbers of authorized dealers and agents.

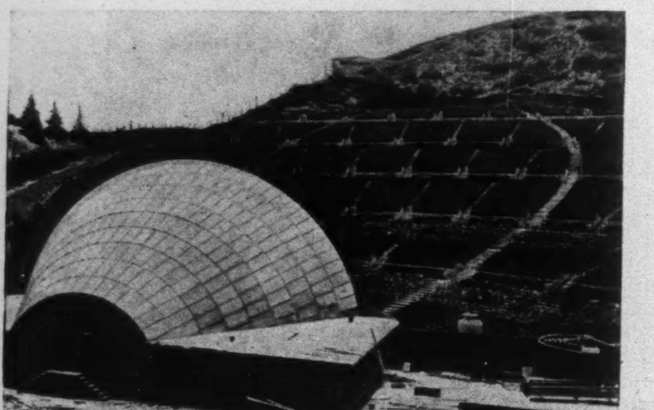
Thus, manufacturers make it easier for you to locate their dealers in your neighborhood. Remington-Rand, Raybestos, Toledo Scales, Blue Coal, Multistamp, Plymouth are a few who list their dealers in this convenient way.

Hard-boiled in the *Smart in*



(*Above*) A Texas and Pacific Engine Terminal, where 32 molded Transite Smoke Jacks are in use. Transite best resists corrosion and decay typical in this type of service.

(*Right*) Going to the other extreme, here is Transite "in evening clothes," adorning milady's boudoir with a charm, originality and sophistication all of its own.



TRANSITE
—*the Material of "1000 Uses"*

WHEN it was decided that the Hollywood Bowl, Hollywood, Calif., was to have an orchestra shell, in order to enjoy music "beneath the stars," the unique structure was built of steel and J-M Transite, as pictured at the left.

When Princeton University built a new Research Laboratory, Transite was used in making fume hoods in the laboratory rooms.

Its uses have become unlimited. Here Transite is specified for the most modern factory in the world—there we see it smartly decorating a fashionable dentist's office. Transite is deserving of the reputation—"the material of 1000 uses."

If you are interested in knowing more about Transite, its application in your business, write to Johns-Manville, 292 Madison Ave., New York. You will be sent full information on the subject.

Roundhouse . . .
the Penthouse

Johns-Manville TRANSITE, the tough, imperishable building material of uncounted uses, now establishes a new medium of artistic and decorative expression

FIRE! A pressure still in an oil refinery is burning. Furiously. Yet J-M Transite, enclosing the unit, withstands the intense heat, confines the flames to the single still in which they originated. *For Transite is fireproof.*

GAS! A chemical plant finds it necessary to re-roof every 9 months, due to the corrosive action of materials manufactured. Transite roofing and siding are installed. Ten years ago, it was. The original Transite is still in service. *For Transite is corrosion-proof*—won't rust, rot, is impervious to acids, gases.

STEAM! A car loaded with glowing coke—radiating heat at a temperature of 1800° F.—is run into the "coke-quencher" made of Transite. It must be cooled. Cold water showers on, promptly turns into steam at 250° F. Transite is the ideal corrugated material to endure this rigid service satisfactorily . . . *For Transite is not affected by heat, cold, sudden changes of temperature.*

WEATHER! Thirty-four acres of Transite on the enormous plant of the International Harvester Co., East Moline, Ill. Hot sunshine, drenching rains, heavy snows, penetrating frosts. No effect whatsoever. *For Transite is weather-proof*, long-lasting, requires no upkeep.

And now Beauty. Vogue. Chicago builds a world's fair. Architects confer. A new, unique material is required. *Transite*, Industry's Transite, is selected for the Administration Building.

A famous New York interior decorator plans a luxurious penthouse. The interiors must be chic, different. Every available material is examined. Again Transite is specified. Again Transite produces a new, charming altogether original effect.

* *

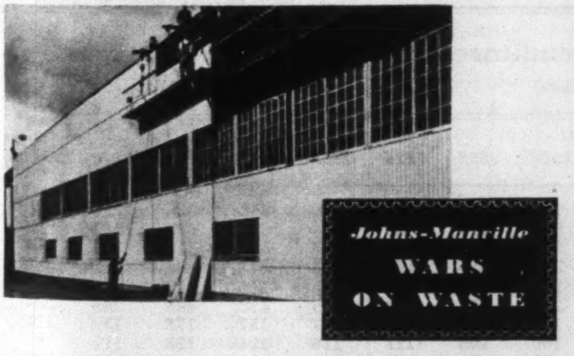
WHAT manner of material is this? Here on a factory, there in an orchestra bowl. Here forming the smoke jacks in a railroad roundhouse, there in a smart New York penthouse. Here resisting the acid fumes of a chemical pit, there adorning madame's bedchamber.

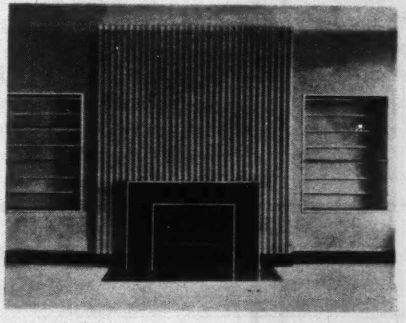
Transite (an asbestos-cement mixture formed under high pressure into dense, homogeneous sheets of great structural strength and rigidity) will continue to pioneer new fields, develop new uses.

For already its unique physical properties, its pleasing appearance, its permanence, have won for it a place not only in the matter-of-fact commercial field but as a medium of aesthetic expression in modern decoration.

The Ideal *Roofing and Siding*

Because of its unusual properties and advantages, Transite is regarded as the *ideal* roofing and siding material for *every* industrial service. On railroad stations, roundhouses, factories, plants, mills, mine structures, airplane hangars, garages, barns, etc., Transite offers unusual protection, permanence and economy. Investigate its possibilities.





The Most Modern of the Modern

Texture, strength, distinction—all of these characteristics have combined to give Transite an enthusiastic acceptance as a modern decorative material. Architects and designers see in it infinite possibilities for modernistic interiors of all types—offices, reception rooms, homes, buildings, boats, in fact, everywhere that a note of freshness and originality is desired. Above is pictured Transite as a wall treatment in one of the newest apartments.

Johns-Manville

Controls
HEAT, COLD, SOUND, MOTION
Protects against
FIRE AND WEATHER

The American Consumer Market —A Study by The Business Week

4. Cost-of-living indexes are dangerously misleading guides for American business

A WISE industrialist said recently that the greatest obstacle to progress and prosperity in this country has been the simple phrase "the cost of living." Product of the war-period of runaway price inflation, borrowed from backward countries for the purpose of setting a standard for wages, it has been a ball-and-chain on the leg of American business ever since. Although it did not bother anybody much from 1922 to 1929, the present depression appears to have put what Jim Dublin called "the old Punch and Judy show of the Cost-of-Living and Wages" on the road again.

Business men have begun once more to think in terms of arbitrary family budgets of wage-earners and to compare abstract indexes of the cost of living and wage rates, forgetting that the cost of living of the American people is the same thing as the gross receipts of American business.

The Pre-War Fixation

Especially pathetic is the persistence of the "pre-war" complex in the discussion of the cost of living, despite the obvious fact that the pre-war standard of living can mean nothing today but a pre-war level of business, which would leave most of our vast industrial structure to rust and cobwebs, if we were to try to operate on it today.

Family budgets built up by canvassing or estimating the expenditures of special classes of consumers in particular localities years ago and cost-of-living indexes derived from them—especially if they relate to a pre-war period—are a misleading guide to the modern consumer market for American business, and business policies or economic conclusions based on them are certain to be seriously, even suicidally, mistaken.

Europe's Fatal Error

This is the fatal error that every European country has made since the war. By establishing wage and other industrial policies on the basis of some arbitrary subsistence budget of family expenditures, reflecting in most cases a pre-war standard of life of the lowest income groups, the possible expansion of the domestic market for domestic goods and services has been sacrificed. The stagnation of industry abroad since the war demonstrates that it is dangerous to ration according to a cost-of-living index the goose that lays the golden eggs for business.

The truth is that consumers do not live by these official budgets anywhere, and certainly not in the United States; or if they have to they don't want to and don't do it any longer than is necessary. The only true measure of the cost of living in any country is what all the individual consumers collectively spend for everything they use; it is not someone's idea of what they should spend, or someone's finding about what they can exist on.

The estimates of the value of the goods and services consumed in the 12 years from 1919 to 1930, set forth in this series, therefore represent the real family budget of the American people, the nearest approximation possible to its actual cost of living—which is the market for American business. The tables and chart in this article show how that budget has been divided and how it has shifted in this post-war period. They also show how very different this budget is from those upon which the cost-of-living indexes of this and other countries are based.

First note the striking consistency among the major percentage divisions of the budgets based on total national expenditures. This is true not only of the 3 estimates made for the United States, by *The Business Week*, Professor Nystrom, and Professor Hoyt—all constructed by very different methods; but it is true also for the American and the British figures.

An Interesting Parallel

As was seen in the first article, there are some striking differences between the American and British standards of living in the proportion spent for particular items, such as transportation and taxes, but so far as the major divisions of the budget are concerned, the standards of living of these two countries seem to be closely comparable when measured in terms of national consumption. The proportion spent for food by the British is a little larger, that for housing a little smaller.

Average Consumer Expenditures Per Family

(In Dollars)

	1919	*1920*	*1921*	*1922*	*1923*	*1924*	*1925*	*1926*	*1927*	*1928*	*1929*	*1930*	*Average 1919-30*
Food	894	967	719	746	793	779	801	834	819	848	828	724	813
Housing	530	572	517	534	579	573	586	608	608	618	622	540	574
Wearing Apparel	398	438	316	335	385	360	343	357	327	337	316	268	348
Transportation	291	329	284	328	379	394	413	443	434	443	469	412	385
Personal	288	323	264	270	283	290	302	318	331	340	356	297	305
Savings	251	277	214	225	241	241	274	307	355	438	426	263	293
Recreation	73	86	70	83	93	100	112	127	147	157	178	139	114
Health	79	88	84	89	95	100	105	111	116	124	128	111	102
Direct Taxes*	98	93	81	87	78	79	84	85	86	84	91	82	86
Education	56	58	50	54	57	60	63	68	72	75	78	67	63
Social Activities	48	52	49	47	51	54	56	59	61	64	69	63	56
Civil	25	27	25	28	29	29	31	33	34	38	39	40	31
TOTAL	3,031	3,310	2,673	2,826	3,063	3,059	3,170	3,350	3,390	3,566	3,600	3,006	3,170

*** Not paid in connection with any other expenditure**

But note next what a very different picture of the standard of living is presented by the budgets upon which the official cost-of-living indexes for wage earners in our own and other countries are based. The Detroit budget based on a study of Ford workers' families in 1929, and used as a standard for wage adjustments in European Ford factories, is thrown in for comparison, and an unofficial estimate of the budget of 100 Chinese families is included. The most striking feature of these comparisons is the way the food item rises in importance in the budget as you go from the United States to China. This is in fact a measure of progress from a prosperity standard of living to a subsistence level.

Our Distinctive Margin

Roughly speaking, according to any of these figures, the American consumer has from 30¢ to 45¢ left out of each dollar to spend for other things or to save after the basic necessaries of life are bought, while the European has less than 10¢ available for this purpose. This is the margin that makes the difference between the market for American business and that for European business, and accounts for the distinctive features of industrial expansion in this country since the war.

More important is the question whether, in view of these comparisons, the cost-of-living indexes, official and private, upon which it is assumed that wage policies in this country must be based, have any meaning whatever, if they are not actually dangerously misleading. They are based on budgets in which food is given a much larger importance than it actually has in the national expenditures as a whole, and therefore reflect changes in the cost of living which in fact have not occurred.

Most Items Inflexible

During the 12 years since the war food expenditures averaged only a quarter of the total, and food and clothing combined only three-eighths of the total. These are the only items in the national budget which are greatly or promptly affected by changes in price levels. Most of the other items are relatively inflexible, representing fixed charges or elements so interwoven with the standard of living that they change slowly. Food and clothing are in fact the only items in the national budget which have shown a decline both in the proportion and in the amount spent on them per family since 1919. The others have increased, some of them like transportation very rapidly.

Over the 12-year period since the war

BRONZE WELDING restores Costly Machine to service

A FLAW was discovered in a big rotary pump casting. Replacement would have meant dismantling the entire unit, involving costly delay and considerable expense.

At the suggestion of an experienced welder, Bronze welding was resorted to. Within an hour after the casting was prepared, the weld was completed and the pump again ready for service—as good as new.

Because their low melting points minimize or eliminate pre-heating, Copper-alloy rods are extensively used for the welding of cast, malleable and galvanized iron, steel, Copper and Copper-alloys. Repair-welding with Bronze saves industry an immense sum annually in the speedy, economical reclamation of broken castings, ranging from small pipe-threading tools to immense heavy duty castings weighing hundreds of tons. And in many production processes Copper-alloy rods have been found ideal for oxy-acetylene and electric welding of iron, steel, Copper and Brass sheets, tubes and plates.

Welding is but one of the countless ways in which Copper and its alloys serve industry. Special alloys offer exceptional forming properties . . . others can be machined at high speeds . . . all are durable and inexpensive to polish and plate. Their use results in a superior and more salable article that can frequently be produced at lower cost.

Let us help you to determine the most effective use of Copper, Brass and bronze for *your* specific needs . . . write to us, we will gladly cooperate.

COPPER & BRASS
RESEARCH ASSOCIATION
25 Broadway, New York.

TIME HAS PROVED THE SERVICE OF COPPER, BRASS AND BRONZE

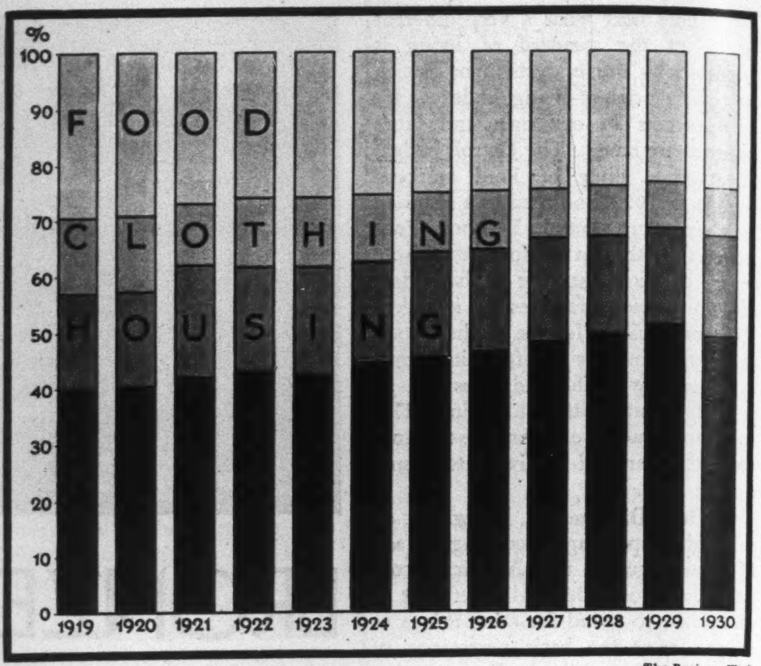
the average American family bought each year $813 worth of food, spent $574 on its home, $348 on clothing, $385 on transportation, $305 on personal goods and services, saved or invested $293, spent $114 on recreation, $102 on health, paid $86 in direct taxes, spent $63 for education, $56 on social activities and $31 on civil items.

This is the real cost of living of the American people, and the changes in it have all been in the direction of smaller expenditures for "necessaries" and larger expenditures for other things.

Food Expenditures Fall

Using estimates of the number of families based on official population figures, which are probably too high, the average expenditure per family for food fell from $894 in 1919 to $724 in 1930, and for clothing from $398 to $268, while all others rose, including housing which covers many items of equipment and convenience beside mere rent, fuel and light. It is particularly striking that while the average family in 1919 was spending about $100 more for clothing than for transportation, by 1930 it was spending $150 less.

It should be obvious that budgets which ignore or minimize the importance of these other elements in the standard of living are not only an inaccurate measure of the cost of living but repudiate the very basis of American business expansion. The cost of subsistence may be lower today than it was in 1919, but the cost of living in America is not. The American people have assumed obligations to themselves and their families involved in standards of living which account for nearly half their expenditures. The only way we could return to a pre-war standard would be to wipe out at least half of these expenditures over and above bare subsistence costs, which would mean destroying about a quarter of the consumer market for American business as it has developed in recent years.



The Business Week

CHANGING DOLLARS—*Twelve years' changes in the American consumer's spending; 60% used to go for food, clothing, shelter, now it is only 50%*

Comparison of Consumer Budgets

	Food %	Housing* %	Clothing %	Other %
National Average Expenditures				
United States				
The Business Week (1919-30)	25.7	18.2	11.1	45.0
Nystrom (1925)	29.1	21.3	14.4	34.6
Hoyt (1926)	27.0	16.0	13.0	44.0
Great Britain				
Feavearyear (1924-27)	29.0	15.0	10.4	45.6
Cost of Living Index Budgets				
United States				
U. S. Bureau of Labor Statistics (pre-war)	38.2	23.8	16.6	21.3
National Industrial Conference Board (post-war)	33.0	25.0	12.0	30.0
Detroit Ford workers (1929)	32.3	33.8	12.2	21.7
Germany (1925)	54.7	25.8	10.0	9.2
Great Britain (pre-war)	60.0	24.0	12.0	4.0
France (pre-war)	60.0	17.0	15.0	8.0
Italy (1920)	62.6	20.3	10.2	6.7
Belgium (1921)	64.0	14.5	13.8	7.7
China (1924)	72.0	12.5	9.8	5.6

*** Including fuel, light, furnishings**

Rising Federal Budget Largely Depression-Born

ORIGINATED by Lammot du Pont, taken up by numerous commercial firms and organizations, a letter has been distributed by hundreds of thousands of copies pointing out that the federal budget in 1927, exclusive of debt service, was $1,231 millions less than it was in 1932. The argument is pressed vigorously that we could well go back to 1927 standards of expenditure for running the government.

Congressmen, flooded with these letters, turned to the Bureau of the Budget for information. The bureau issued a formal analysis, which has received almost no attention. It shows that the increases are attributable in large part to the depression, also in large measure to capital investment. The running expenses of government have increased very little.

Increases in 1932 over 1927 follow (in millions):

Public works	$435
Farm relief	155
Postal deficit	167
Ship loans	75
Aviation	47
Veterans	246
War claims	37

Aside from these items, the increase is $69 millions, including an increase for the 1930 census, some farm aid items, and miscellaneous.

Wide Reading

THE HUNGRY CITY. Joseph L. Heffernan. *Atlantic,* May. Youngstown's (Ohio) onetime mayor relates his experiences with unemployment programs. Bread-and-butter facts for executives—as employers or merely as citizens.

MILWAUKEE HAS A PLAN. Leslie F. Cross. *Nation,* May 11. "Those horrid Socialists" captured Milwaukee's city government by an unexpected parliamentary coup on Apr. 19, and within 2 hours laid the basis for probably the most ambitious social and economic program attempted recently in an American municipality. What they are doing.

TESTING FOR ABILITY IN MANAGEMENT. Paul B. Coffman. *Harvard Business Review,* April. Demands of an executive; examples of good executive qualities.

INSURANCE THAT DOESN'T INSURE. James P. Sullivan. *American Mercury,* May. Loans on insurance policies now run to $3 billions. (1) How and why has this extensive pawning of policies developed? (2) What will be the effect on policyholders? (3) What are the companies and agents doing to solve the problem? (4) What, if anything, could they do scientifically and practically? (5) Why do they not do it? (6) How can the policyholder help himself on his own initiative?

IF FIXED SALARIES WERE NOT FIXED. P. W. Schubert. *Factory and Industrial Management,* May. A plan to reduce the risks to which businesses are now exposed. Rents are coming to be established on a variable basis, why not salaries and wages?

SOVIET ECONOMY IN A NEW PHASE. Bruce Hopper. *Foreign Affairs,* April. Russia's second Five-Year Plan emphasizes industrial development of Asiatic Russia, industrial production of products planned to make life more amenable.

THE SIGNIFICANCE OF DICTATORSHIP. Frankwood E. Williams. *Survey Graphic,* May. Russia and Italy through the eyes of an American psychiatrist. Theirs are interesting, progressive experiments already affecting American thinking.

THE FALLACY OF THE BOYCOTT. George Soule. *Harper's,* May. It wouldn't work. Some very straight thinking for those who want to use it to "put Japan in her place."

WHAT HAPPENED TO INSULL. John T. Flynn. *New Republic,* May 4. Mr. Flynn bares the "smartness of the most arrogant, insolent, and unsocial of all the power barons," questions what is going to happen to banks carrying the heavy share of $600 millions in loans to the now defunct Middle West group.

AUTOMOBILES CREATE NATIONAL WEALTH. *American Automobile,* April. Volume of taxes paid by automobiles in various countries.

BEGGAR'S COIN. *World's Work,* May. Copper's future depends largely on Africa and the attitude of world producers, while a proposed U. S. tariff law hangs in the balance.

HOUSING AND COMMON SENSE. Clarence S. Stein. *Nation,* May 11. A positive program: (1) plan and build communities, not unrelated individual houses; (2) build these neighborhood communities as a single operation or a series of related large-scale operations; (3) relate the location of these communities to the most desirable economic and social developments of the city and region; (4) reorganize the house-building industry; (5) put land for housing purposes under government control; (6) finance housing on an investment instead of a speculative basis.

SCATTERING INDUSTRY. Ralph L. Woods. *World's Work,* May. Many factors are making for the decentralization of business. One of the most important is the I.C.C.'s new method of determining freight rates. It lays down a policy bound to have wide social, political, and economic effects.

THE RECONSTRUCTION OF HERBERT HOOVER. Frank R. Kent. *Scribner's,* May. Some of the controversy bound to come up before the political conventions, and what may be expected to come of it.

BOOKS

BUSINESS LOOKS AT THE UNFORESEEN. W. B. Donham. Whittlesey House, 209 pp., $2.50. Bold appraisal of various panaceas offered, with suggested economic adjustments to meet current business situations.

RECOVERY. Sir Arthur Salter. Century, 353 pp., $3. What has caused the present world crisis and some proposals for alleviating it. One of the season's most discussed books.

PLANNING FOR RESIDENTIAL DISTRICTS. Report of the President's Conference on Home Building and Home Ownership. Commerce Building, Washington, 227 pp., $1.15. First of a series of volumes. Discussions of planning and zoning, subdivision layout, utilities for houses, housing in unincorporated areas adjacent to cities.

FEDERAL AND STATE TAX SYSTEMS. Commerce Clearing House, Chicago, 145 pp., $10. Tax charts by states for 1932. Charts types, rates, method of measurement, dates due. Gives comparative figures for specified taxes in various states, totals collected last year. Valuable reference for interstate business.

NEW YORK LAWS AFFECTING BUSINESS CORPORATIONS. United States Corporation Co., 469 pp., $2. Laws important to business, revised to Apr. 11, 1932.

THE REAL TRUTH ABOUT SHORT SELLING. J. George Frederick. Business Bourse, 255 pp., $4. Attack on short selling, attempting to explode theory of its economic value. Discusses specific reform proposals. Interesting in view of present federal investigation.

REPORTS—SURVEYS

RECENT TREND IN CANADIAN FOREIGN EXCHANGE. Emil Sauer. Bureau of Foreign and Domestic Commerce, 18 pp., 10 cents. Reasons for decline in value of the Canadian dollar listed and analyzed. Valuable to exporters and bankers.

CONSUMER SURVEY OF THE AMERICAN GAS INDUSTRY. American Gas Association, 566 pp. List of gas companies operating in each state, summary of customers by counties, list of incorporated communities (with population figures) which are without gas.

MANUAL ON RESEARCH AND REPORTS. Research Committee at School of Administration and Finance, Dartmouth. Williams & Wilkins, 109 pp., $1.25. Plain and practical directions for investigating a subject and presenting the material in written form.

IN CASE OF FIRE . . .

COULD YOU ANSWER THESE 3 QUESTIONS?

Could you supply a complete inventory record of all merchandise destroyed or damaged, giving quantities and costs?

- *Unless the above records survived the fire, the settlement of every fire claim is unavoidably delayed.*

Could you supply a complete and detailed list of all accounts receivable?

- *Unless these records survived, you could not make collections.*

Could you supply the customer records of purchases, goods on order, estimated needs?

- *Unless the fire spared these records, you face immediate loss of valuable customers, at a time when you need them most.*

Without these records, no insurance company can make an immediate settlement of your claim. Because of a delayed settlement and loss of customers, 47% of companies never resume business after a fire.

Free Fire Hazard Survey Helps You Avoid Loss

Shows you which records should have fire protection. Points out the existing individual fire hazard of each record. Each hazard is based on such factors as building construction, location of office, rules of tenant occupancy, etc. By uncovering the danger, this survey helps you protect your business from death, due to fire. Send for it today—before fire strikes your office.

Art Metal
STEEL OFFICE EQUIPMENT

ART METAL CONSTRUCTION COMPANY,
JAMESTOWN, N. Y. (DEPARTMENT 69)
I would like a free fire hazard survey for my own records.

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■ ■ ■

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Bus Lines, Too, Are Feeling The Pinch of Depression

First-quarter earnings dropped 18%, traffic 10% on the long routes; did best in the big cities

AFTER weathering the first 2 years of the depression quite successfully—its total business declined for the first time last year and only by 5%—the bus industry has begun to feel the effects of the hard times.

This is revealed in a survey of operations of 150 companies during the first quarter of this year, just completed by *Bus Transportation.*

First-quarter earnings show an average decline of 10%. Revenue of the long-haul lines was off more than 18%, of the smaller intercity lines nearly 16%, while that of operators in cities of over 1 million population dropped only 4.46%.

A study of the earnings decline on city lines classified according to city population works out to: 500,000 to 1,000,000—10.91%; 250,000 to 500,000—9.60%; 100,000 to 250,000—7.49%; 50,000 to 100,000—13.46%; 25,000 to 50,000—11.85%; 15,000 to 25,000—21.35%; 10,000 to 15,000—22.52%.

By far the best returns from intercity operations were made by the New England lines, which showed a decline in passenger revenue per bus-mile of but 4.92%. This was due in large part to increased service and to a higher average fare per passenger.

Mileage Keeps Up

Despite declining revenues, the long-haul companies maintained almost equivalent service; their bus-miles per mile of highway operated decreased only 1.57%. This was in sharp contrast to the 12.71% reduction made in the service of small intercity operators. The volume of service in the million-class cities increased nearly 10%. In other cities the trends were mixed.

Passenger traffic, as measured by the number of people carried per bus in operation, declined 10.58% on the long-haul lines, while the cut in service on the small intercity lines was reflected in an actual gain of 3.25% in the number of passengers carried per bus in operation.

The average fare per passenger reveals the recent attempts to hold traffic by cutting rates, was 67¢ during the first quarter of 1932, compared with 72¢ a year ago, on the long-haul lines, and 20.45¢ against the previous 24.30¢ on the short intercity lines. The average fare per passenger in city operations during the same period was 7.38¢, compared with 7.77¢ a year ago. Some of the fare reductions on the intercity lines were prompted to meet the various travel bargains offered by the railroads.

The Mid-West group of intercity and interstate bus lines (including Illinois, Indiana, Iowa, Kentucky, Michigan, Ohio, West Virginia and Wisconsin), showed relatively the best operating conditions. Measured in terms of net income, the carriers in this area cleared $266 per bus—a decrease of 33% from the first quarter of 1931. The other sections of the country made a less favorable showing.

Summer Bargains to Lure Us Back to the Rails

RAILROADS have opened the excursion season with a wide array of travel bargains. They need to increase passenger traffic revenues and they have fond hopes of reviving public interest in rail travel.

Just how far they have gone can be seen from the long list of specials offered by the Norfolk & Western.

These include: 60-day summer "circle tours" through historic places, national playgrounds and other points of interest; week-end round-trip fares at one and one-tenth the regular one-way fares to all points in the Trunk Line and Central Passenger Association territories; special 16-day vacation fares to the Virginia seashore from Western points, with privilege of stop-overs; round-trip bargain fares to the seashore each Sunday from Richmond and Petersburg; Sunday baseball excursions to Cincinnati; summer tourist tickets on sale every day from May 15 to Sept. 30; 10-day round-trip fares to all stations in Ohio; reduced week-end fares to all stations in West Virginia, Virginia, and North Carolina; low round-trip Memorial Day fares on regular trains and special Pullmans to New York and Philadelphia from points in

West Virginia, Virginia, and stations in the Shenandoah Valley.

Norfolk & Western records show a decline of 33% in passenger traffic in 1931, of nearly 84% since 1921.

Railroad Timetables May Carry Advertising

RAILROAD timetables will blossom out with colorful advertisements of cigarettes, motor cars, cosmetics, and hosiery, if the plans of a committee of railroad advertising men are successful.

The considerable cost of time tables ($50,000 to $100,000 a year on leading railways) has long been given serious thought. At one time, some rail executives suggested charging 1¢ per timetable, but their plan was laughed out of court. The present project of selling advertising as a way of making timetables pay for themselves is understood to be viewed with favor.

Hogs Having No Future, Hog Futures Market Quits

CHICAGO'S hog futures market, unique experiment in livestock marketing, has folded up. Two years of almost uninterrupted falling prices were too much for it. It started on Mar. 1, 1930. First sale, for September delivery, was at $12 per 100. Last sale, for delivery this month, was at $3.85.

Conditions made it a one-sided affair all the way along. Sellers of futures usually benefited; buyers almost always lost. Toward the end, the spread between bids and offers became so great that the market just naturally dried up.

When it was going well, 600 or 700 cars a month were traded in, a volume about equal to a single day's run in the Chicago yards now. The biggest single sale was in the summer of 1931 by Fairmont Creamery Co., Beatrice, Neb., 50 carloads of hogs for September delivery, $7.45 to $7.50. At the delivery date, the open market price was $6.25. The packer that bought this particular lot lost $1.25 per 100.

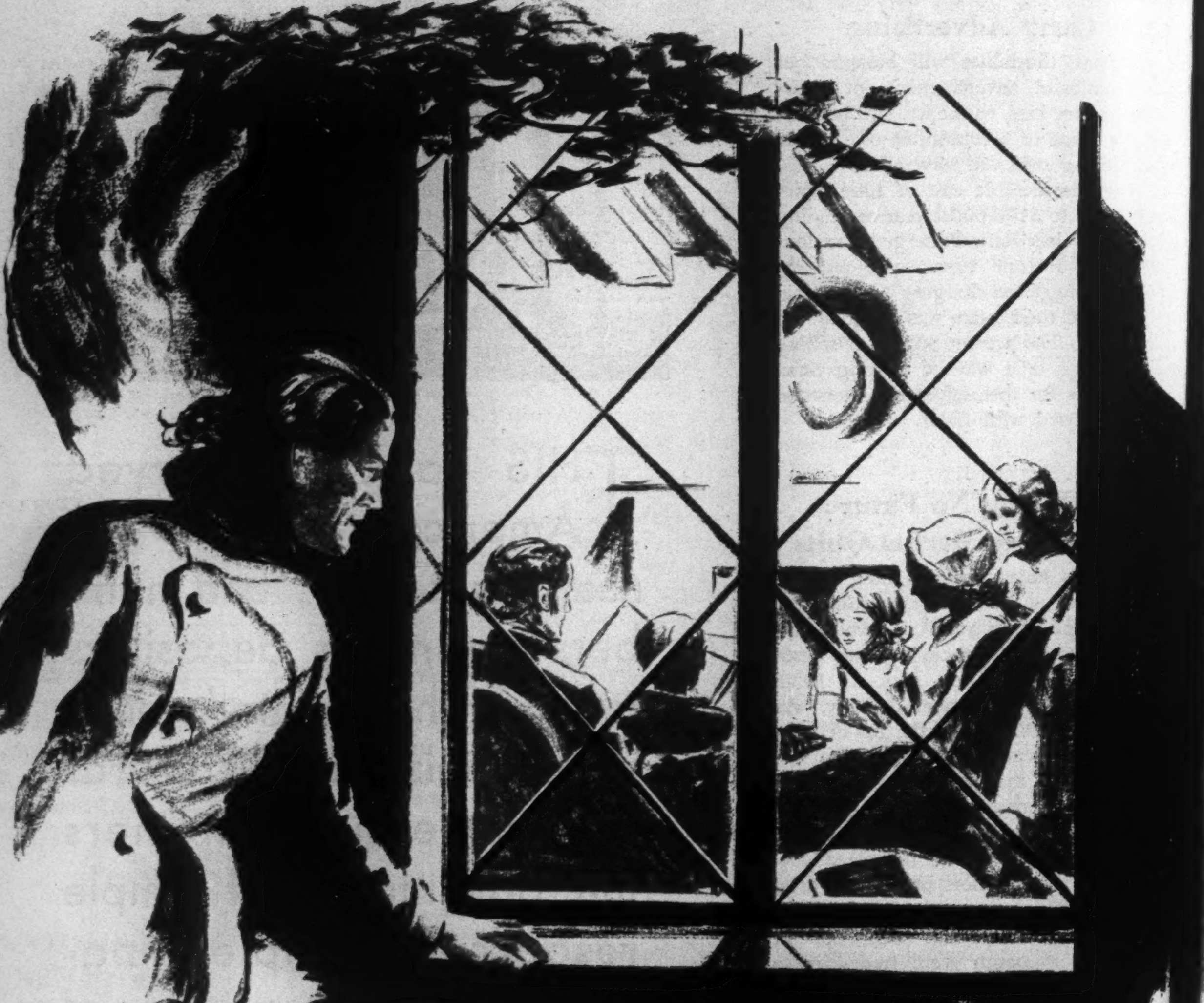
Whether it might have succeeded in normal times, and whether it will be revived again, are matters of conjecture. The general trend of all futures markets these days is down. To have a real futures market, there must be speculative buyers to take up hedging sales. With speculative buying power curtailed or absent, as is now the case, futures markets, whatever the commodity, are crippled.

GVARANTY TRVST COMPANY

THIS Bank has served American business for nearly a century, and numbers among its depositors many of the country's leading organizations. It affords its commercial customers the advantages of ample resources, complete national and international facilities, and the service of experienced officers.

Guaranty Trust Company
of New York
140 BROADWAY
FIFTH AVENUE at 44TH STREET MADISON AVENUE at 60TH STREET
LONDON PARIS BRUSSELS LIVERPOOL HAVRE ANTWERP

There are



THE shipwrecked sailor, Enoch Arden, disappeared for years and when he came back, it was only to find his wife had married another. Tennyson's famous poem, "Enoch Arden," furnishes a lesson in business as well as marital affairs.

McGRAW-HILL

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Business men, industrialists and engineers—500,000 of them—regularly read the McGraw-Hill Publications. More than 3,000,000 use McGraw-Hill books and magazines in their business.

- Radio Retailing
- Food Industries
- Chemical & Metallurgical Engineering
- Electrical World
- Electrical Merchandising
- Electrical West
- Electronics

"Enoch Ardens" *in business today*

Nobody blames Enoch Arden's "widow" for having married another man. She hadn't heard from Enoch for so long, of course she thought he was dead.

In business, too, you can't count on people remembering. You have to keep constantly reminding your customers that you're very much alive. Otherwise, they'll soon think you're "dead"—and will allow their orders to be wooed and won by another.

The business concern which fails to keep its product and its name constantly before its customers and prospects is simply giving its competitors "the breaks." For, in practically every line of business there are more orders being placed *today* than any one manufacturer could handle with his "boom days" production schedule. And there's a backlog of orders piling up that will have to be released sooner or later.

When that time comes, will *you* be remembered?

If you sell to business and industry, you can keep your sales story fresh in the minds of present customers as well as probable prospects—and you can do this inexpensively yet efficiently—by advertising in carefully selected business papers.

McGraw-Hill Publications reach the concentrated buying power of business and industry because they go straight to the concentrated buying power of their respective fields, at lowest unit cost.

Ask a McGraw-Hill representative to come and talk it over. He will furnish some interesting figures on how advertising can help make sales today . . . how it can simultaneously protect your markets just as efficiently as insurance protects your plant.

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Coal Age

Transit Journal
Bus Transportation
Aviation

Textile World

Factory and Industrial Management
Maintenance Engineering
Power

The Business Week
Management Methods

The Five-Year Plan Runs Into Japanese Industrialization

Friction in Manchuria marks the beginning of a new rivalry for economic power

Far Eastern news is pivoting around a series of suspicious developments.

Moscow has entered world grain markets again, but this time as a buyer. Five shipments of Canadian wheat are to leave Vancouver soon for Vladivostok, Russia's sole port of importance on the Pacific. There are likely to be further purchases of grain in Canada and Australia.

Excitement has been aroused in Japan over the derailing of a troop train on the (half Russian-owned) Chinese Eastern Railway, resulting in 11 Japanese dead and 50 injured, and over the attempted dynamiting of an important railway bridge that spans the Sungari River.

Moscow Moves

Moscow has ordered its sales organization in Manchuria to close shop and return to Russia.

Tokyo reports that the Russians have increased their military forces in the Vladivostok area to 150,000.

Russia and Japan may be drawn into an armed conflict though neither is prepared for it. Political conditions in Japan are unfavorable and the country can't afford the expense. Russia is ill-prepared now to defend her Far Eastern territory. The single-track trans-Siberian railroad cannot adequately handle the traffic. Nor can Moscow spare the energy from the Five-Year Plan.

Nevertheless, Nanking, Tokyo, and Moscow are discussing the possibility. Washington, London, Paris say less about it in the press, probably do even more diplomatic thinking on the subject.

Business Affected

Business is concerned—much more business than might be transacted with Manchuria—independent, or as a part of some other country.

Japan and Russia are immediately concerned because it is their interests which will conflict first. Here are the most apparent immediate sore spots:

(1) Siberian waters fishing rights. Russia (by treaty) has agreed to lease to Japan the rights to fish in vast areas off the Siberian Pacific coast. Japan has developed great fishing fleets; floating and shore canneries prepare fish for domestic consumption and for export. Each year in March these fishing rights must be renewed. This year, the members were unable to agree on terms. Settlement is still pending. Japan's fleets are fishing under the protection of Japanese gunboats.

(2) Chinese Eastern Railway. Russia owned half this railway with China. It crosses northern Manchuria, is a short-cut for the trans-Siberian line which otherwise must skirt the Manchurian border on the Russian side in a great arc. Now the new Manchurian state—openly a puppet to Japan—has assumed China's half right in the railroad, is threatening to incorporate it with the Japanese-owned South Manchuria, which means also changing the gauge. This would make Vladivostok less accessible to Moscow, would divert valuable traffic from a huge area to the ports in Manchuria and Korea instead of to Vladivostok.

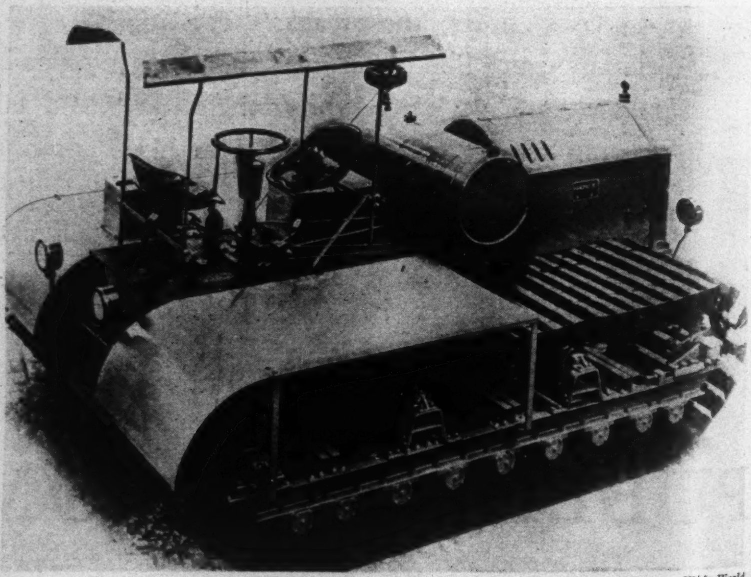
(3) White Russians. Harbin, the largest city in northern Manchuria, is largely a city of Russian émigrés from the old Czarist court. Wholly antagonistic to Moscow, they cooperate with Chinese or Japanese to cause friction.

(4) Japan's need for raw materials. Tokyo has long realized that Japan, if it is to remain a world power must, because of its vast population (half that of the United States) and small area (about the same as California), develop itself industrially. Industry has been fostered. The Japanese have captured many of Britain's best textile markets, are said to have invented a loom which is actually imported into Manchester (England).

England of the East

Rayon, iron and steel, food products—all are being developed in Japan. There is obviously a recognized parallel with the position of Britain. The penetration of the Indian market, the struggle for the Chinese market, and now the determination to hold Manchuria more as a source of raw materials (coal, iron, copper, wool, cotton, beans) than as a market are all a conscious part of Japan's long-time policy.

(5) Russia's rapid industrialization. Since the Five-Year Plan has succeeded in returning Russia to the position of a "power" (though not always recognized), Japan has become alarmed. Moscow has a domestic market of 160 millions. Resources are as large and as diverse as in any single nation. Moscow has shown a determination to regain world markets, no matter what the cost. If labor isn't as cheap as in Japan, raw materials are cheaper. Russia is a



Wide World

Made in Germany—*One of the tractors designed for use in the immense Russian peat fields. The peat is spread out on level ground to dry. These machines then roll over it, the knife-like treads cutting it into blocks. The Soviets plan to use much of this cheap fuel for power production* competitive threat. The sooner she is dealt with, the more limited her power.

(6) Russia's *"Drang nach Osten."* Under the Czar, after Japan's success in the Russo-Japanese War, Russia in Siberia was no threat. Under the Soviets, Siberian Russia is receiving as much attention as European Russia. Magnitogorsk, Cheliabinsk, Novo-Sibirsk, Kuznetsk, Tashkent, Balkash—great names in the Plans—all are east of the Urals. The Turk-Sib Railway brings Russia cotton, fruit, minerals, is a possible edging towards western China.

Current developments in Manchuria can be interpreted only in the light of the future. Japan and Russia both have vast dreams. Russia has unfolded a great project in the first Five-Year Plan, is preparing for a second. Japan is talking of a five-year plan of its own.

It is time to recognize the present serious aspect of the whole Far Eastern affair. It is the beginning of a new struggle for economic power in the Pacific.

Canada Moves to Take Over Radio Broadcasting

THE long-considered plan of nationalizing radio broadcasting in Canada was brought to the fore this week with Premier Bennett's announcement that the United States was ready to make the readjustment in channels, which, Canadians feel, is necessary to the accomplishment of their scheme. If adopted, broadcasting would be taken over by the government and operated by a federal radio commission. Only small local stations would be permitted to remain under private ownership.

The plan contemplates a chain of high-power stations across Canada, operating on "exclusive" channels, supplemented by local low-power stations, using "shared" channels. Advertising would be restricted to not more than 5% of each program. The national system would be supported by license fees on receivers, now at the rate of $2 a year, fees on transmitters, and revenues from advertising.

Whatever Washington's views, domestic radio circles insist that on a per capita basis the Dominion already has more adequate broadcasting facilities than the United States, that any extension would have a serious effect on American stations. Of the 96 broadcasting channels available, Canada has 6 "exclusive" waves, compared to 79 held by the United States, while the remaining 11 are shared by both. Canada wants more exclusive waves.

ARKANSAS
KANSAS CITY
ST. LOUIS
LITTLE ROCK
MEMPHIS
TEXARKANA
FT. WORTH
DALLAS
SAN ANTONIO
HOUSTON
LAREDO
NEW ORLEANS
LITTLE ROCK
MISSOURI PACIFIC LINES
LITTLE ROCK

ON AMERICA'S INDUSTRIAL FRONTIER

Within 36 hours, by rail, of the Atlantic seaboard, and only 12 to 24 hours from intermediate cities . . . An important jobbing and concentration center for an area leading in the production of Cotton-Clay and Wood Products-Coal-Peaches-Strawberries-Poultry-Raspberries-Tomatoes-Bauxite-Oil-Marble and Lime. There is ample supply of natural gas and hydro-electric power for unlimited industrial expansion.

In Little Rock is the largest single line passenger terminal in the country, operated by the Missouri Pacific whose freight and passenger service radiates

NORTHWEST—Two routes, via the White River Valley and the Arkansas River Valley to Ft. Smith, Kansas City, Colorado and the Pacific Coast.

EAST—To Memphis with connections to the southeast.

NORTH—To St. Louis with connections to the north and east.

SOUTHWEST—To Texarkana, Dallas, Arizona & Southern California

SOUTHEAST—via the Arkansas River Valley to New Orleans

SOUTH—To Houston, Galveston, the Rio Grande Valley, Waco, Austin, San Antonio, Mexico.

DEPENDABLE FREIGHT AND PASSENGER SERVICE

"A SERVICE INSTITUTION"

MISSOURI PACIFIC STAGES
AUXILIARY TO MISSOURI PACIFIC LINES

Wide World

Tax Treaty—*Ambassador Edge and Premier Tardieu (second and third from left) sign the agreement which removes the "double tax" on American business in France, cause of much bad feeling*

Foreign Business Is Likely To Profit by French Elections

European News Bureau (*Cable*)—Within a week, France has elected a new Chamber of Deputies and a new President. Neither has had any serious effect on business though the decided victory of Left parties in the Chamber elections had a temporarily unsettling effect. Uncertainty will continue until the makeup of the cabinet is known and this will not be much before June 1.

What is more significant is the fact that neither M. Doumer's assassination nor the recent gains of the Nazis in Germany turned the French electorate from its steady trend toward the Left. France is obviously dissatisfied with the economic policies of the present government and with its extreme chauvinism.

Eyes on Herriot

The new Chamber of Deputies, which will assemble June 1, will pivot around the Radical-Socialist party of M. Herriot, now the strongest single party in the Chamber though without a majority. Business interest now centers in M. Herriot's compromise dickering in the next 3 weeks, and in the resulting composition of the government. If he joins with the Socialists, largest other party of the Left, it is likely to cause a flight of capital from France. If he turns to the Right and forms a more moderate government, it is possible that he can maintain both foreign and domestic confidence. This combination would include M. Tardieu's party, and probably M. Tardieu would be asked to become a member of the Cabinet. Paris hopes for this kind of a government, is confident that it is the only kind likely to last for any considerable period of time.

However the new Chamber is organized, the large gains of the Radical Socialists suggest certain long-term election consequences.

The defeat of the Nationalist groups and the policies of the now major parties point toward a more liberal collaboration in foreign policies and a trend away from the narrow path of armed isolation. Though still in a relatively better position economically than most of the rest of Europe, the French economic position now is far less secure than it was even 6 months ago. Furthermore, Tardieu's nationalistic policies have alienated many friends. The French are aware of and worried about this.

Foreign interests will also be affected if the party carries out, as expected, a less protectionistic policy. Prices are high in France, and the cost of living is a matter of concern.

It is entirely probable that any Left government will cut excessive military expenditures and spread them, rather, on social legislation, but it is over-sanguine to expect France to face about on her general policy of "armed security." And reparations and war debts are not a "matter of the past" with the Left, though there will no doubt be a more liberal policy of adjustment to current conditions.

The deficit of the national budget will need to be considered at an early date and it is entirely probable that the new government will meet the demands with broader taxation of business instead of resorting to wider taxation of the masses.

Mississippi Shows How To Apply a Sales Tax

Proponents of a general sales tax are carefully studying business and consumer reactions in Mississippi, where a 2% general sales tax became effective on May 1.

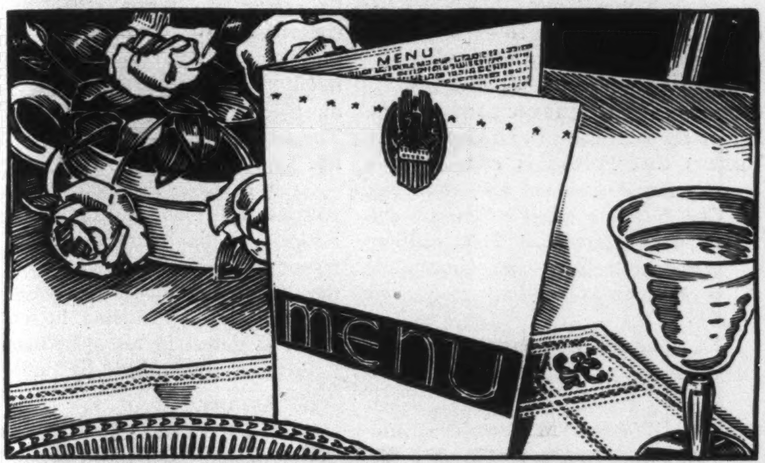
With a so-called privilege-to-do-business tax of 0.1% on gross sales or value of products in effect since 1930, Mississippians were fairly well sold on general business taxation. However, the flat 2% rate of the new law raised the question whether retailers, wholesalers, and manufacturers should absorb the tax in their general mark-up, or collect it as a surcharge on each sale, where it would act as a constant reminder that the state government is getting its share.

In many Mississippi towns and cities, retailers and merchants' associations held special meetings to determine standard procedure and then made public announcements of the plan that had been adopted.

Sales that retailers propose to exempt from visible tax collection range from 6¢ in some cities to 26¢ in others. On sales beyond the specified no-tax minimum dealers will collect 1¢ when the total does not exceed 51¢ (65¢ in some localities). Above these limits most retailers propose to collect the 2%.

Specifically the Mississippi 2% sales tax applies—after a total annual exemption of $1,200 in receipts—to the gross sales of retail concerns, the gross receipts of all trades and professions covered in the previous "privilege" tax (which includes physicians and lawyers), the gross receipts of public utilities excepting industrial power sales; while a 1% tax is collected from manufacturers of certain specified products, on automobile sales, soft drink bottlers, industrial power sales, from contractors.

America's Menu—1919 to 1930



presented for your inspection

BUSINESS men are vitally interested in America's food expenditures. And why not? Just look at the millions of dollars spent for food advertising. Despite the many changes in modes of living, incomes, fashions, since the war, the consumer still has to eat. And his food bill each year still takes a healthy slice of his annual expenditures.

But many new factors have entered the food picture in recent years. For example:

Prohibition.
Health and dietary education.
The desire to stay slender.
Food advertising, with its vitamins, etc.
The restaurant habit.

How, if at all, have these been reflected since the war in the consumer's habits of eating, the size of his menu, the relative popularity of the various food items, the *per capita* food bill?

For the past ten years, business men have been guessing at the answer to this question. And the startling facts brought out in the next article on "The American Consumer Market" show that they've often guessed wrong. This article—the fifth of a series of twenty studies—appears in *The Business Week* (May 25th issue).

This series offers business men, for the first time, the *complete* picture of the changes in America's buying habits during the years 1919 to 1930. It is the only study that covers *all* the expenditures of *all* the people in this country during that period. Its comprehensiveness is indicated by the fact that it has broken down the consumer's budget into almost a thousand items of expenditure. No matter what your business, there is information in this series that will help you guide it with more knowledge and less guess work about your markets. Subscription to *The Business Week* is $7.50. In Canada $10.

THE BUSINESS WEEK

330 West Forty-Second Street
New York City

Where are the Consumer's Dollars Headed?

You'll find the answer in the series, 20 studies, "The American Consumer Market", now running in *The Business Week*.

Business Abroad—Swift Survey Of the Week's Developments

Business all over the world is hesitant, awaiting definite results from pending conferences. . . . France, with a new, more liberal government being formed, is likely to be more cooperative. . . . Germany, her back to the wall, has declared again against reparations, is "hanging on" until the Lausanne meeting. . . . Italy is pessimistic over possibilities for international cooperation. . . . Britain is more nervous. . . . Japan and China are in bad shape. . . . Unless world cooperation becomes more whole-hearted, more spontaneous, the prospect of constructive results from Lausanne is slight.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Conditions in Europe deteriorated further last week despite the stubborn resistance of business and public determination to look for improvement. Commodity prices sagged, throwing into suspense even the little seasonal activity which has been accumulating and paralyzing any new initiative. Unemployment, which has declined far less than might be expected in spring, has recently turned about, is again on the increase. Britain particularly was discouraged by a large increase after a long period of improving conditions.

Sentiment Steady

Securities and sentiment, however, are surprisingly steady. It is the general disposition everywhere not to emphasize the adverse current actualities, but somewhat blindly to anticipate good news. This hopefulness of sentiment is due in part to the fact that the German and French elections point a way out without immediate adverse consequences (a temporary political-business lull reigns in Germany pending the Lausanne conference); in part to hopes that Lausanne will bring at least a clearing of the uncertainties and perhaps something more constructive; and lastly, to a sneaking expectation that President Hoover is about to take some powerful new initiative.

Following passage of the Goldsborough bill, the dollar weakened on all European exchanges but strengthened again on Hoover's stiff message to Congress. There is a curious anomaly in the European attitude toward the dollar. Business fears depreciation of both the dollar and the franc, but it is not yet realized that revaluation of these currencies affords the only means of re-equilibration between the gold value of debts and depreciated prices, since no uniform debt deflation is possible and price inflation is feared.

London, meanwhile, is increasingly the focus of nomad refugee capital, and British authorities are expected to be forced to abandon the present peg rate for some higher figure. Not even the cut in the discount rate to 2½% is likely to discourage the influx of funds.

Central Europe Weakening

Austria is an economic corpse. Difficulties are increasing in Czechoslovakia. Rumors that Poland is considering a transfer moratorium are now confirmed by *The Business Week's* Warsaw correspondent. More than $100 millions of American loans are outstanding there, of which $17 millions are payable in 1932.

The weakness of commodity prices, especially industrial raw materials, is again the most immediate business factor. It is generally feared that another price deflation wave is approaching as a consequence of constant pressure from debt burdens and trade restrictions.

Germany

Everything in a state of suspense awaiting Lausanne. . . . Boerse steady; bonds up; bankruptcies down. . . . Brief Reichstag session concentrates on 3 items, ends in an uproar.

BERLIN (*Cable*)—No development in Germany last week is more significant to world business than the statement by Chancellor Bruening: "The Lausanne conference will either be the road sign pointing the way to a new life or a milestone leading to collapse. There must be an end at last to our sacrifices. The world must realize we simply cannot pay reparations."

At this rate, Bruening and Hitler policies will soon coincide throughout. Hitler and his followers do not want responsibility until after Lausanne. On the other hand, should Bruening fail to win a victory at Lausanne, he would go down in defeat in his own country.

Business was practically undisturbed

Acme

HOME WORK—*Neville Chamberlain, Chancellor of the Exchequer, labors over Britain's budget. There is no relaxation of current heavy taxation, no provision for debt payments to the United States. Following the Lausanne debates on reparations and the Ottawa conference on Empire trade, there will likely be a supplementary budget* by the brief meeting of the Reichstag. Only 3 major items were considered: the budget, the arrangement with Lee Higginson to prolong the credit to the Reich, and the plan for a domestic lottery loan to provide funds for public works which will absorb the unemployed.

The Boerse has remained relatively steady. Some encouragement is being culled from the dividends which a number of companies have been able to maintain, though at a reduced rate. Bonds were slightly stronger. Bankruptcies were down in April.

But the whole situation is artificial. Everything is being kept going but in a state more or less of suspense awaiting the outcome at Lausanne. Prospects now are not bright because no major advance agreements have been reached. But there are still hopes, especially since it is possible that Lausanne will be postponed to allow advance agreements following the change of government in France. Bruening's statement does not overstate the importance of this long-delayed international conference.

Great Britain

Optimism is overshadowed by rumors and uncertainties. . . . Industry more hopeful than finance. . . . Unemployment shows sudden increase.

LONDON (*Cable*)—Britain's mood this week is not easily defined. There is still strong underlying optimism built in part on pride that the budget is balanced and in part that the trade position is in hand. But there is also the recurring uncertainty whenever ill rumors reach the City. The palpable bankruptcy of Cosach, the straits in which Anglo-Oriental tin interests find themselves, and the news (not made public) of a banking run in Austria, and guarded advices that a Scots investment trust is in grave trouble—all these were in the grist recently, and had an effect on business sentiment.

It is perhaps true to say that the manufacturer and trader are happier just now than the financier and market operator. The "inner circle," that is, the Treasury and the Bank of England and those in their confidence, are far from happy, and Lausanne looks less rosy the nearer it approaches.

In addition, the number of unemployed registered an increase of 85,000 in the last report. After a decline for several months, this had a dampening effect on the City despite the fact the total number of unemployed now is no greater than it was at this time last year.

Real encouragement came from only a few sources this week. Perhaps the outstanding bright spot was the French elections, at least as they were interpreted by London. It is entirely possible that the British are over-sanguine in their appraisal of what they can expect from a Herriot government. Certainly they look for closer cooperation at international conferences with a more liberal-minded French representation.

France

No serious reactions to political changes in France. . . . New government likely to be more liberal. . . . Unemployment continues to decline, but other indicators are not encouraging.

PARIS (*Cable*)—French business weathered a double-barrelled political shift last week with relative calm. Neither the unfortunate assassination of President Doumer and the election of M. Lebrun to replace him, nor the decided victory of the Left parties in the Chamber elections has had more than a temporary unsettling effect, and no further serious reactions are anticipated (page 30).

Though M. Herriot's Radical Socialists registered the largest gains in the recent election, they failed to poll an absolute majority. Between now and the first week in June it will be the responsibility of Herriot, as party leader, to maneuver a coalition. Paris looks for a moderate coalition with the center parties rather than for a lineup with the Socialists which would be certain to cause a flight of capital from France and almost certainly would not stand long. All in all, business is hopeful for a moderate government which will pursue a far more cooperative policy abroad.

Business during the week failed to reflect the encouraging report of declining unemployment for the sixth consecutive week. Freight movement continued to dwindle, and industrial reports showed no increase in activity.

Coal, and iron and steel activity continue to contract. The iron and steel industry, particularly, has been hard hit by the new British tariffs put upon semi-manufactures. In 1931, French exports of such products to England totaled

Industry calls for the Chemical Engineer

And not in vain!

CHEMICAL engineers pluck money-making by-products from the waste-heap, find better, cheaper methods of manufacture. So they're in demand today. And they are especially active in the Process Industries, which entered 1932 with productive activities running 22% above the industrial average. Chemical engineering is a far more important factor, wields a much greater buying power today than it did a few years ago.

Recent reports from 137 manufacturers of process equipment named 341 newly designed products. Improved production technique — in lacquers and other coatings; in petroleum "cracking"; hydrogenation; nitrogen fixation; pulp and paper, cement, gas manufacture and other industries—is an example of chemical engineering's rapid progress.

In former depressions, such active interest in design and improvement has invariably coincided with business revival.

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420,000 tons and constituted one-third of total British imports of this class of goods. With the new 33⅓% ad valorem duty, further aggravated by the 25% depreciation of the pound, this business will very likely suffer further heavy losses.

The imposition of several new quotas last week indicates that France is not yet finished with that method of curbing imports. The newest restriction covers photographic films. But, where in the former quotas the United States received disproportionately small allowances, in the present quota it has the largest share, followed closely by Germany. Also, American interests were consulted before the quotas were announced.

Negotiations which American business men were carrying on in Washington to claim retaliatory action on the unfair discrimination by Paris have been halted until it is known what is to be the policy of the new government. Most observers are inclined to look for a definite change.

Italy

Domestic conditions strained. . . . Country is generally pessimistic over international outlook. . . . Mussolini outlines scheme for European get-together. . . . Bank of Italy offers premium for gold ornaments.

MILAN (*Cable*)—Italy is pessimistic over the international situation. Domestically, conditions are more strained than when reported 2 weeks ago. Austria's embargoes on imports and Britain's tariffs will seriously curb Italian exports, and the Italo-Yugoslav reciprocal arrangements for increasing tariffs will have an effect only slightly less curtailing.

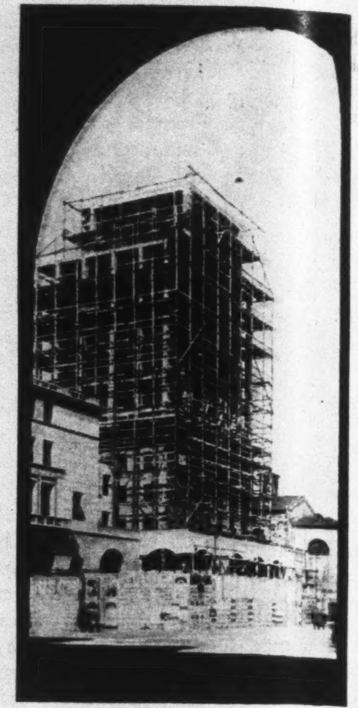
Considerably broader attention has been concentrated this week on the program for cooperative European action as outlined by the Italian Fascist Grand Council several weeks ago. It is terse, direct; advocates (1) cancellation of reparations and war debts, (2) removal of tariff barriers before they have reduced international trade to a complete standstill, (3) restoration of order to the Danubian and Balkan states, (4) revision within the framework of the League of Nations of those peace treaties which constitute grounds for unrest among the nations and threaten eventual war, (5) halting of too frequent international conferences which, by arousing unfulfilled hopes, later produce disillusion and friction. With Lausanne only a few weeks away and no advance agreements completed, Europe is attaching more significance to the proposals which might be taken up one by one.

Although the current industrial trend is still slightly better, production is considerably below last year's totals and the seasonal pickup is below normal. Labor opposition prevents wage cuts with the result that many industries are operating at a loss.

Bank of Italy Seeks Gold

The sharp drop in stock exchange activity reflects the absorption of capital by the recent unlimited government loan. Credit is difficult.

The Bank of Italy continues to lose exchange, notwithstanding the unprecedented favorable trade balance. This is due to several causes, not the least of which is the difficulty of recovering export credits under exchange restrictions. The Bank has started a campaign to buy old gold ornaments at premium prices. It will not be surprising, in view of the success of this scheme in Britain (though unsolicited there), if other gold-anaemic countries follow the example.



Globe

ITALY'S FIRST—*In America, this would be a minor skyscraper, but in Italy, it's the tallest commercial building. It's at Brescia*

Far East

Bad internal conditions in the Far East prevent business recovery. . . . China more deeply affected than at first suspected. . . . Japan's domestic situation bad; problems in Manchuria multiplying. . . . Immediate outlook unfavorable.

INTERNAL conditions in the Far East, more or less successfully covered up for a long time by the fanfare of military operations, are in bad shape and neither government nor business is able to hide it much longer.

The extent to which China was weakened by the Shanghai struggle is just beginning to be fully realized. Finances are badly disorganized. Trade is finding it difficult to return to the old routine. Exchange is low. Confidence is badly shaken. Not even the successful conclusion of the Shanghai conference and the agreement by Japan to withdraw her troops have brought any real stimulus. The country's internal political condition and the uncertainty of developments in Manchuria are blighting the prospects for early recovery.

Only a few scattered reports are encouraging. The bond and cotton exchanges have reopened, now that Japan has agreed to withdraw. Bankers are working together trying to straighten out the tangled business of the last few months. Two British cotton mills report 1931 profits third highest in their history, due to the demand transferred from Japanese mills after the outbreak of hostilities in Manchuria last September. Radio dealers report a brisk demand for receiving sets.

Japan is equally despondent over home conditions. Silk prices touched an all-time low last week, influenced the foreign trade balance for the first 10 days of May, which is still unfavorable. Strict foreign exchange control is provided in a bill before the Diet.

Like shipping interests throughout the world, Japan's great lines are facing financial difficulties. Nippon Yusen Kaisha, prominent in the transpacific service, has appealed to the government for a $7-million additional subsidy.

The Manchurian situation is increasingly tense. More Japanese troops are being poured into the area by way of Dairen. Guerrilla warfare in the northern region is absorbing no small amount of attention and expense. The Russo-Japanese situation is serious (page 28). Its outcome cannot be predicted with any certainty now because of the rumors of government instability in Japan. A change of government might radically alter conditions, though it is not to be expected that Japan will back down from her dream of holding Manchuria.

Latin America

No signs of improvement except for slightly higher prices for coffee. . . . Bolivia is sanguine over tin curtailment program. . . . Argentina exports large but prices low.

BUSINESS in Latin America remained depressed last week. Only the relative steadiness of coffee prices was encouraging.

Bolivia is primarily concerned with the proposal in London of world tin producers to suspend production during June and July in an effort to allow consumption to catch up with production.

Brazil has set May, 1933, for the national elections which will return the country to a constitutional government.

Colombia reports no recovery during the week except for the encouragement which coffee growers have found in the slightly rising prices. Peru is quiet again after settling the 1-day revolt of the Navy. Argentina is in relatively good condition but feeling still the effects of low grain prices. Exports are above those of last year in volume. An investigation of the reasons for ending commercial relations with Russia last July is now under way. Hide exporters claim that much of their heavy warehouse stocks would be unnecessary if the Russian market was still open.

There is considerable interest in the *Graf Zeppelin's* 1932 schedule of 10 trips between Europe and South America. The German dirigible has just completed the fourth of these round trips between Friedrichshafen and Pernambuco.

American Interests Abroad: British Sales, Films, Bicycles

EUROPE reports more new developments of interest to American business:

Great Britain: American firms continue to show an interest in setting up arrangements for manufacture of their product within the British tariff boundaries. Some are waiting only for the Ottawa conference (July) to determine the relations of the Dominions with the home market. Among the American firms which have recently examined the possibilities of locating in Britain are:

Warner & Swasey, Cleveland—manufacturers of lathes. Recent negotiations with a British manufacturer to produce Warner and Swasey specialties under license.

Henry Disston & Sons, Philadelphia—saws and files. Examination of the conditions with a view to establishing local manufacture.

Chappel Bros., Inc., Rockford, Ill.—manufacturers of dog food. Have established a branch plant at Manchester.

Bell & Howell, Ltd., Chicago—lens manufacturers, cinematograph apparatus. Bought outright an old-established English company and works.

Plymouth Rubber Co., Canton, Mass.—insulating tape. Concluded licensing arrangement with British firm, whereby supplies for all Europe will be made in Great Britain, the American company receiving a royalty on sales.

Armstrong Cork Co., Lancaster, Pa.—linoleum. Have concluded arrangements with James Williamson & Co., of Lancaster, England, important linoleum manufacturers, whereby the British firm takes over the manufacturing activities of the American firm for all markets outside the United States.

Holland: Philips Incandescent Lamp Works will shortly come on the market with an electrically driven bicycle. The maximum speed will be 22 kilometers an hour (about 14 miles). The accumulator will be sufficient for covering a distance of 50 miles and can be charged during the night on the electric light main. The price is approximately $100.

Rumania: A bill proposing a 3¢ tax per meter on imported motion picture films, the proceeds to be devoted to subsidizing domestic cultural films, has failed to pass. *The Business Week's* correspondent at Bucharest believes successful renewal of the project is unlikely.

American interests, which have been seriously prejudiced by similar measures in Yugoslavia and Czechoslovakia, but which will benefit by continued freedom of trade in Rumania, were represented in 1931 by 497,000 meters of film out of total imports of 979,000 meters. Germany supplied 383,000 meters, France 78,000.

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Over Sixty-Nine Years in Business

The Figures of the Week And What They Mean

The business picture remains practically unchanged from preceding weeks. . . . Steel is holding on the 24% of capacity line with the feeble support of the motor industry and attempting to reduce operating losses with wage cuts. . . . Pressure to reduce prices is already rampant. . . . April construction contracts exceeded March by 8% on the strength of public works and utilities. . . . Residential awards continue to shrink. . . . Carloadings declined in line with general business and smaller retail volume. . . . Check payments increased more sharply than usual. . . . Commodity prices are weak, with new all time lows set in copper and zinc.

THOUGH automobile production has succeeded in maintaining steel activity somewhat above the April rate, the gain is small. Estimates for the first week of May indicate that the 24% rate is just barely holding. Since the usual trend is downward at this season, the unchanged rate of activity results in a one point gain in the adjusted index to 34% of normal.

Ingot production in April averaged 22.5% of capacity. Actual tonnage output was smaller in the summer months of 1921, but the present output of less than 1¼ million tons approaches that minimum with uncomfortable closeness. While the unfilled tonnage records of the U. S. Steel Corp. at the close of April declined for the 13th consecutive month, this barometer is becoming less indicative of present conditions since orders are small in volume and shipped promptly.

Shrinking orders and unprofitable operating rates have forced steel concerns, large and small, to follow the example of the U. S. Steel Corp. in cutting wage and salary rates by 15% beginning May 16. The previous 10% cut of October, 1931, failed to secure the avowed purpose of improving the financial position of steel companies because the gain was frittered away through price concessions. Greater determination to preserve the advantages of the last cut is expected to maintain the prevailing level.

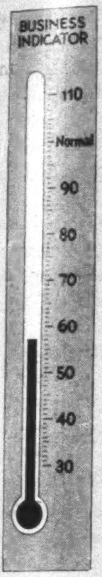
Employment in Detroit on Apr. 30 stood at 67.5 compared with 65.4 the preceding month, indicating some pickup in motor activity. April production in the United States and Canada is estimated at 146,584 vehicles compared with 127,277 in March, according to the National Automobile Chamber of Commerce. This is a gain of 15%, but compared with a year ago a 59% loss. Production in the first 4 months of 1932 runs 51% under 1931.

General Motors' Record

General Motors report its April sales to consumers in the United States 67% ahead of March, a greater than usual gain, but done probably to the second nation-wide showing in the first week of April, the final appearance of the Ford line, and price cuts on the Chevrolet and Pontiac. Sales of all passenger cars in the 48 states in the first quarter of 1932 declined 43% below 1931, according to R. L. Polk and Co.

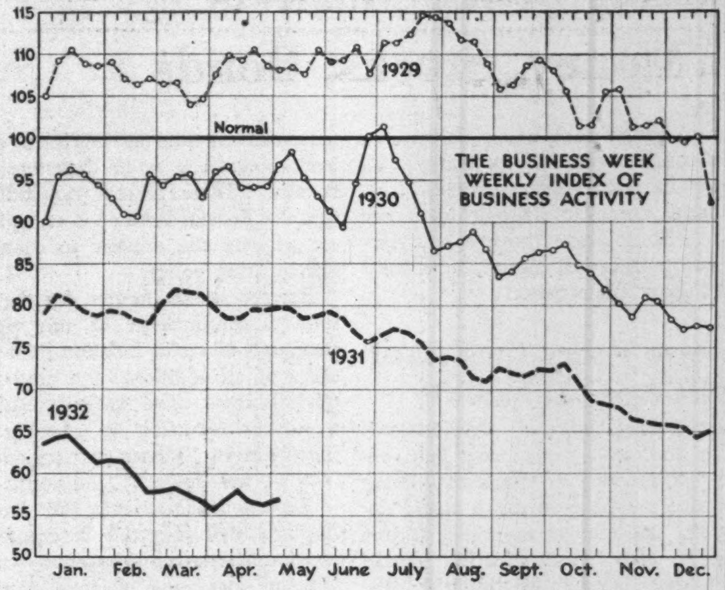
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*	*Five-Year Average (1927-1931)*
	*57.3	56.3	79.8	......
PRODUCTION				
Steel Ingot Operation (% of capacity)	*24	*24	46	77
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$4,544	†$4,390	$12,782	$20,687
Bituminous Coal (daily average, 1,000 tons)	*783	†789	1,070	1,342
Electric Power (millions K.W.H.)	1,429	1,455	1,637	1,575
TRADE				
Total Carloadings (daily average, 1,000 cars)	92	94	129	159
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	64	65	90	106
Check Payments (outside N. Y. City, millions)	$3,590	$2,887	$5,122	$5,984
Money in Circulation (daily average, millions)	$5,465	$5,428	$4,695	$4,695
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.51	$.52	$.73	$1.16
Cotton (middling, New York, lb.)	$.058	$.058	$.099	$.167
Iron and Steel (STEEL composite, ton)	$29.68	$29.70	$31.37	$34.95
Copper (electrolytic, f.o.b. refinery, lb.)	$.054	$.055	$.088	$.132
All Commodities (Fisher's Index, 1926 = 100)	61.6	61.8	72.0	89.8
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$1,864	$1,794	$967	$1,155
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$19,277	$19,033	$22,768	$21,983
Commercial Loans, Federal Reserve reporting member banks (millions)	$6,779	$6,783	$7,886	$8,610
Security Loans, Federal Reserve reporting member banks (millions)	$5,063	$5,099	$7,036	$7,134
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions)	$438	$499	$1,671	$3,732
Stock Prices (average 100 stocks, Herald Tribune)	$81.00	$80.69	$125.32	$154.26
Bond Prices (Dow, Jones, average 40 bonds)	$73.82	$74.78	$95.95	$96.46
Interest Rates—Call Loans (daily average, renewal)	2.5%	2.5%	1.5%	5.4%
Interest Rates—Prime Commercial Paper (4-6 months)	3¼-3½%	3¼-3½%	2¼-2½%	4.2%
Business Failures (Dun, number)	601	670	632	507

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.



Other lines of steel consumption continue at low levels. *Steel* reports that not one freight car was ordered in April, the first blank month in history. Neither New York Central nor the Pennsylvania have made their 1932 rail purchases, which ordinarily are placed in the preceding fall. Construction activity holds out a promise of work to come, but at present not much has appeared. Tin plate operations have fallen below the 50% level recently established. Refrigerator demand is also easing.

Construction Awards

Construction contracts awarded in the 37 states in April managed to outstrip March 8.4% in value, and when account is taken of the difference in the number of days, the gain amounts to 12.6%, achieved solely by virtue of the volume of public works and utilities. The adjusted index for the 4-week period ending Apr. 29 stands at 23% of normal compared with 22% for the 7 preceding weeks.

Total awards of $121.7 millions were divided into $47.2 millions for public works and utilities, $45.5 millions for non-residential buildings and $28.8 millions for residential construction. On a daily average basis, residential building shrank almost 10% below March and 70% below a year ago, non-residential building lost 4% in the month and 58% against 1931, while public works and utilities offset these losses by forging ahead 65% above March but remaining 65% below a year ago.

Bituminous coal production is lagging in the customary rise that characterizes the end of April. During the week ending Apr. 30 a further slight decline in production occurred. The adjusted index made an insignificant gain to 46% of normal.

Electric Power

The decline in electric power production since the early part of January has been considerably sharper than in the past 2 years, equalling nearly 12% against 4.5% in 1921 and 7% in 1930. The spread from a year ago has now reached 12.7%

Carloadings also add their confirmation to the increasing slackness of business activity. January and February saw loadings 21% below the preceding year. In March, the spread had widened to slightly more than 22%, and in April to 26%. The cumulative totals of the year to date show ore shipments to have the largest decline from 1931, with forest products next, and miscellaneous freight third. This comparison fully reflects the low level of activity which prevails in the steel industry, construction and retail fields. April department store sales now range 24% under a year ago, with the cumulative total 21% less than 1931. The adjusted index of miscellaneous and less than carlot freight for the week ending Apr. 30 declined 2 points to 55% of normal.

Bank debits for the week ending May 4 showed a sharper than usual gain over the preceding week in the 140 cities outside of New York lifting our adjusted index from 63% to 66% of normal.

The daily average volume of currency outstanding for the week ending May 7 turned upward, making the fourth upward turn this year to break the steady downward trend. It is probable that the turn has no special significance beyond indicating trade requirements that characterize first of the month settlements. The adjusted index of currency circulation gained one point standing at 48% above normal.

Commercial loans of reporting member banks in 102 leading cities as of May 4 showed a further slight decline, since the expansion of loans in the New York district was insufficient to offset the continued contraction elsewhere. The adjusted index remains unchanged at 7% above normal.

Commodity Prices

Commodity prices continue to reflect the uncertainty of the general atmosphere, responding rather feebly to any bullish news. Wheat prices responded weakly to news of the May 1 crop report with its forecast of reduced winter wheat. Corn showed small changes.

Cotton and wool prices were weak, while silk continues to plomb the depths. Sugar broke May 11 after having shown signs of improving. Coffee is gaining, but rubber has been sagging lately.

The non-ferrous metal markets were swept with pessimism and copper and zinc prices established new lows. Lead was steady, tin irregular, and silver slightly better.

Trends of the Markets In Money, Stocks, Bonds

Reserve banks push credit drive. . . . Gold continues to leave country. . . . Money in circulation decreases. . . . Bill and domestic deposit rates are cut. . . . Stock prices move within narrow range in a dull market. . . . Bond prices show easier tone.

Reserve Policy Unchecked By Heavy Gold Exports

OUTSTANDING monetary developments during the week were heavy gold exports, continuation by the Reserve banks of tactics designed to cause credit expansion, slashing of domestic deposit rates by New York Clearing House banks, and discounts on bankers' bills. The expectation of a New York Federal Reserve discount rate cut did not materialize. However, the Bank of England's discount rate was reduced from 3% to 2½%, thereby relaxing credit in the London money market.

Heavy gold exports kept up, due to the substantial premiums at which foreign currencies were quoted over the dollar. Exports totaled $42 millions, with $20 millions of this assigned to Holland and $12 millions to Switzerland. France, Belgium, Germany, and England accounted for the rest. The movement is due as much to central bank operations as to exchange transactions. There is still no indication that the Federal Reserve is enough concerned over the outflow to change its open market policy.

Reserve system figures for the week showed continuation of the vigorous campaign of credit inflation in the purchase of an additional $98 millions of governments. The natural result was a further reduction in member bank indebtedness. Money in circulation on May 11 was down $17 millions.

Reports indicate that the Bank of England will join the Reserve system in its open-market operations, with the hope of increasing business activity in England. The Bank of France may also join this international movement.

For the first time the Federal Reserve statement shows this week that some government securities have been pledged as collateral, for Federal Reserve notes, as permitted by the Glass-Steagall Act. Funds provided by the heavy Federal Reserve purchase of securities have been used to reduce member bank indebtedness to a point where the supply of eligible paper has become very low and Federal Reserve notes have had to be secured by more than 90% of gold. That meant that the banks had to pledge governments in order to get gold out to serve as reserves against deposits and for other purposes.

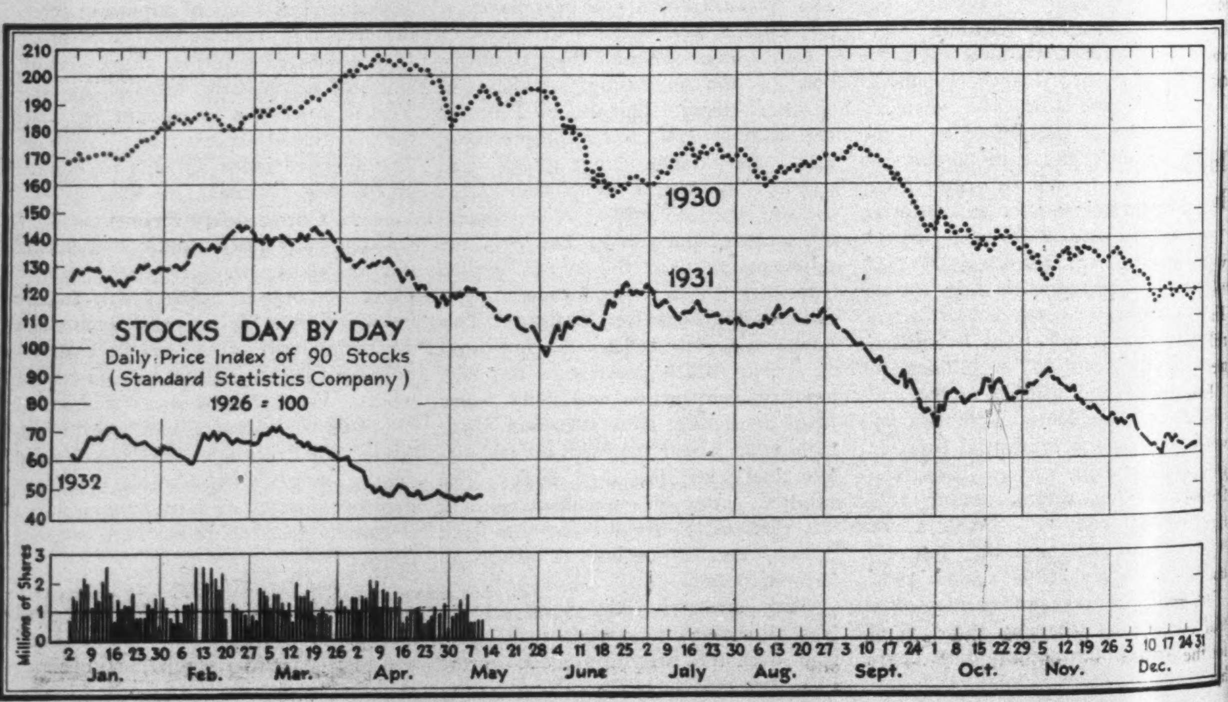
Outstanding development in the bill market was the slashing of rates on bankers' bills of all maturities, as a result of reduction in domestic deposit rates by N. Y. Clearing House banks. Bill rates are again at record low level. Reduction was also due to low state of dealers' portfolios, estimated at only $15 millions. Slash is intended to stimulate demand for acceptances. Other money rates remained unchanged.

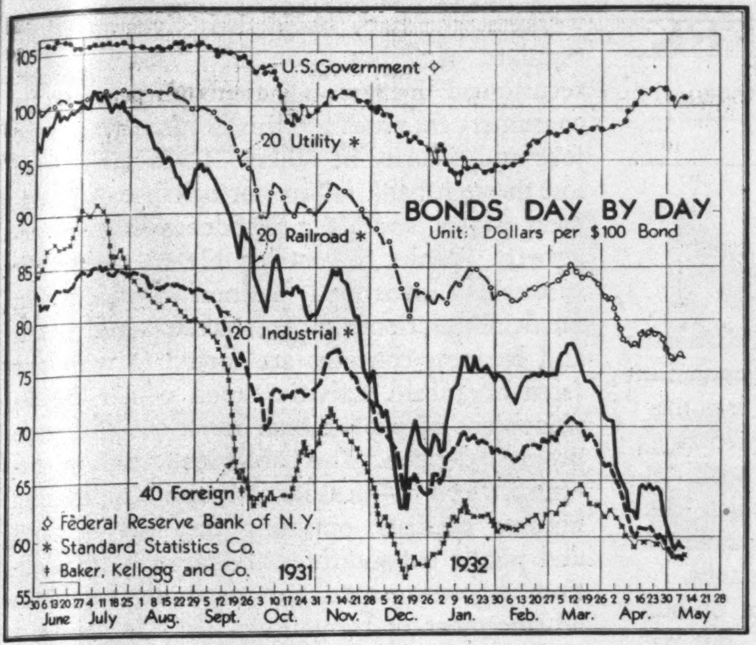
Stocks, a Little Firmer, Await Political Moves

THE stock market followed a dull and meaningless course this week. Trading was extremely light, with prices moving within a narrow range.

However, the better sentiment produced at the close of the previous week by the Administration's strong drive to get the budget tangle settled was still in evidence and accounted for the market's firm undertone this week. As has been the case for some time now, political events remain the dominating influence on share prices.

Thus, with the previous week-end's encouraging developments (President Hoover's message, announcement of a compromise tax program and the adverse decision on bonus bills by the





House Ways and Means Committee) still in mind, the stock market took the unfavorable industrial news during the first half of the week quite calmly. This included the large drop in unfilled orders reported by U. S. Steel, the further decline in carloadings, another poor electric power output report, New York Central's dividend omission, and the unfavorable comparison of automobile production during April with that of a year ago, showing a decline of 58%, although about 15% better than in March. The market's ability to swallow all this without causing indigestion was taken to signify an improved technical position.

Industrials Hit New Low In a Quiet Bond Week

THE bond market quieted down this week after the sharp upswing during the closing sessions of the previous one. The price trend was irregularly lower, reflecting adverse industrial developments.

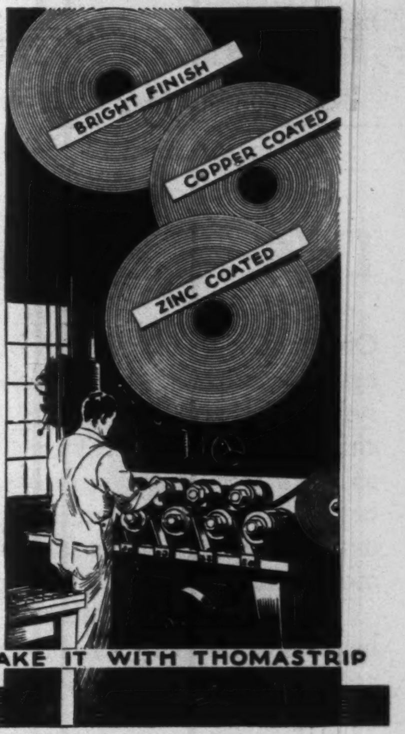
Exceptions to the general downward tendency were the U. S. Treasury issues, which displayed strength and were in greater demand as a result of the further reduction in interest rates. The foreign government list also showed a slightly firmer tone than the other sections of the market.

Among the corporation issues, industrial bonds fell into new low ground for the depression, while the carrier list hovered close to its previous low level. Adverse influences on the railroad bonds were the unfavorable reports of New York Central and Union Pacific, also the weekly carloadings figures showing a continued decline in rail traffic.

Considerable attention was paid in the Pennsylvania's reduction of its request for a construction loan from $55 millions to half that amount, made at the request of the Reconstruction Finance Corp. and because of "changed conditions." The railroad proposes to raise the other half by the sale of securities through banking and investment channels upon the understanding that the Finance Corp. will definitely commit itself at this time to make the loan on Oct. 1. The Pennsylvania also will furnish the additional $13 millions necessary to continue the construction program.

Utility bonds exhibited a relatively steady tone, despite the new low recorded in power output, reflecting the more favorable conditions prevailing in utility companies—as compared with other industries. In the municipal bond market, demand continued to be good, with prices firm and new offerings increasing.

The outstanding feature in the foreign government group was the firmness of Colombian and Brazilian bonds. The German issues displayed a slightly better tone later in the week after an earlier weakness, while the United Kingdom and French bonds eased slightly. The Italian and Japanese issues held up well.



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THE BUSINESS WEEK

The Journal of Business News and Interpretation

May 18, 1932

Defaulted Bonds

ONE unfortunate outcome of our mechanical age is that we think too much of our economic system as a machine. The fact that it uses machinery does not make it a machine. It remains, as every economic system has always been, an organization of human beings in which the main forces that move it are the fundamental motive forces of human feeling and thought.

We say that our industrial structure or our banking machinery has broken down, but we are mistaken. It is only human beings and human relations that have broken down. The machinery is still there, but something has happened to the humans that made it move; their hopes, their faith, their fears, and their desires have somehow changed.

No one can understand this depression or its potential significance who does not see what it has done, or ask himself what it may have done, to the attitudes and relationships of the average human in this and other countries toward his fellow humans, his employers, his business and banking leaders, his institutions and his government. Its outstanding outcome, evident everywhere, is the almost universal collapse of those cohesive factors of confidence which are the basis of social, economic and political stability.

In every individual, in some measure, the sense of security has been shaken, beginning with those sources of it nearest to him, in his work, and extending to those more remote relations involving his government and even other nations. He has been forced back upon his own resources, and the result is intensified individualism of action and paralysis of those cooperative impulses upon which the stability and progress of society depend. It becomes impossible to rely upon any established relationship in labor, business, finance, or government, and each man is compelled to depend upon himself.

As the struggle for survival spreads, employers are forced to discharge or cut wages of workers who have based their lives and their standard of living upon their jobs and their accustomed income. Their buying habits as consumers are upset and this in turn disturbs the jobs and security of others. Their savings are lost through bank failures or collapse of investment values, and their confidence in thrift destroyed. Banks become unable to carry their customers' loans and business confidence in financial relationships is shaken. Individuals and business concerns are forced to withdraw from organized activities upon which the development of professional functions and trade progress depend. The public loses faith in government and political leaders, and business men become nihilists, opposing payment of taxes and public expenditures and urging the abolition of governmental activities indispensable to advancement of community life. As the price structure itself collapses under the disruption of commercial and financial confidence, debt burdens become unbearable. But long before the bonds of debt are repudiated, the intangible bonds of credit have been defaulted because confidence has failed.

Never before in the commercial record of our country or the world has such wreckage of these intangible links in our social and economic life been so widespread. Replacement of this cement that holds our structure together will be a slow process, yet the task is imperative not only for statesmen and business and financial leaders, but for each individual in every relationship to others that remains intact. Like the coral reef, the faith and courage necessary to resist the disintegrative forces of depression can be rebuilt only by the continuous, combined contributions of millions of men's minds in the everyday activities of life, as they learn to lean on each other again, and once more understand that no man lives to himself alone.

Published weekly by the McGraw-Hill Publishing Company, Inc.
330 West 42nd St., New York City. Tel. MEdallion 3-0700.
Price 20¢. Subscription: $7.50 a year, U. S. A. and possessions.
Foreign $10.00 or £2.10s Cable code, Mcgrawhill
Publishing Director, Jay E. Mason

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